
Mary J. Parish
Seton Hall University

Follow this and additional works at: http://scholarship.shu.edu/dissertations
Part of the Public Administration Commons

Recommended Citation
http://scholarship.shu.edu/dissertations/1163
CORPORATE PHILANTHROPY AND THE UNITED WAY:
THE IMPLICATIONS OF THE CHANGING BUSINESS ENVIRONMENT ON
A LOCAL UNITED WAY ORGANIZATION

Submitted to the
Center for Public Service
Master of Public Administration Program
Seton Hall University

by
Mary J. Parish

A Research Project Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Public Administration

Date: 12/16/99           Approved: 
Date: 12/20/99           Approved: 

Faculty Advisor
Director
# Table of Contents

**Introduction** 1

**Research Question** 2

**Review of the Literature**

- The Roots of Corporate Philanthropy 3
- The United Way 14
- Motivation for Corporate Giving 26
- The New Social, Demographic and Economic Realities 33
- Corporate Philanthropy at the Crossroads 38

**Methodology** 49

**Findings**

- The Environment 50
- United Way of Atlantic County 52
- Implications for the Future of United Way of Atlantic County 56

**Recommendations** 67

**Resources** 73
Introduction

At the end of the 20th century, American management is being transformed (some might say transmogrified) in a way that could not have been foreseen just a few years ago. The Internet and globalization are changing irrevocably how business is done. The 1990s have seen the longest period of peacetime prosperity in our history, and during this time, ceaseless change and an intent, even myopic, focus on the bottom line have characterized the business world. Yet the change experienced thus far is not the limit of what will occur, it is merely the beginning. Peter Drucker, a man not known for an affinity for hyperbole has said:

We live in a period of profound transition—and the changes are more radical perhaps than even those that ushered in the ‘Second Industrial Revolution’ of the middle of the 19th century, or the structural changes triggered by the Great Depression and the Second World War (Drucker, 1999, p. x).

Peter Senge, Director of the Center for Organizational Learning, concurs and in a recent “Lessons in Leadership” presentation advised that the next ten years will be very different than the past ten years. These changes will not be limited only to the management of the business. All sectors—public, private and nonprofit—will be affected. Therefore, in this demanding environment, it is unlikely that any aspect of the business world or the nonprofit world will be able to operate with a ‘business as usual’ mindset. Not only will management change; the relationships between and among the sectors will change. To examine one of the implications of this sea change in the relationship between private and nonprofit sectors, this paper will explore one point at which they converge—corporate philanthropy.
Research Question

Corporate philanthropy in one form or another has been a part of the American business experience since well before the days of the robber barons. Today, it provides important support to the nonprofit sector—$8.97 billion in 1998 (Dickey & Marchetti, 1999). Yet, this translates into only 5.1% of total charitable giving, leaving corporate philanthropy a relatively minor player in the sphere of nonprofit funding. Why, then, examine this small facet of charitable activity?

The transition described above by Peter Drucker will impact every aspect of business processes, including corporate philanthropy. It is for this reason that it makes sense to look at the past, present and future of this American tradition that is revered by some, ridiculed by others, and, is, if not at risk of extinction, certainly vulnerable to the vicissitudes of the new business environment. While $8.97 billion out of $175 billion in total charitable giving (Dickey & Marchetti, 1999) seems relatively small in comparative terms, those dollars would not be easily replaced. For some programs, they are the difference between providing service and closing down. For some organizations, e.g., local United Ways, corporate giving is the organization’s very life’s blood.

Yet, despite the evidence of the great need in the charitable sector, it is not inappropriate to wonder about, and perhaps even to doubt, the appropriateness of this intersection of two very different sectors. Why should an organization’s profits benefit those other than the shareholder? Conversely, one might question why corporate contributions to the public good aren’t higher in a time of extraordinary profitability in the private sector.
Also important for consideration is the difference between corporate rhetoric about philanthropy and actual practice. A new national study by University of New Hampshire professor, Jerry Marx, found that while 86% of companies said they believed corporate giving should advance corporate strategies and further business goals, few actually practice their philanthropy in a way that will create outcomes of that nature (Blum, 1999).

This paper will examine the history of corporate philanthropy and current trends in its practice. It will also discuss the way changes in the business environment could impact the future of corporate philanthropy. These issues will then be explored through a case study that looks at the practice of corporate philanthropy in Atlantic County, New Jersey. Specifically, I will consider how the United Way of Atlantic County, currently the region’s largest fund-raising organization, will be impacted by changes in the business environment—taking into account the fact that a significant number of the county’s major businesses are not owned by members of the local community. Based on those findings, the paper will conclude with recommendations for the United Way of Atlantic County as to how it should proceed in light of the trends in local corporate philanthropy.

**Review of the Literature**

**The Roots of Corporate Philanthropy**

Corporate philanthropy, as we currently think of it, began to emerge with the growth of private, large-scale business corporations after the end of the Civil War. While this was a period of large increases in wealth created by industrialization, the distribution (or lack thereof) of that wealth brought about a period of great social turmoil. Andrew
Carnegie spoke strongly to the values of the time when he wrote "while the law [of competition] may be sometimes hard for the individual, it is best for the race, because it ensures the survival of the fittest in every department" (1992, p.3). Despite those words, Carnegie's actions did not support a laissez-faire attitude toward the social ferment of the times.

But although they were perceived as enemies of social and economic justice, big business and its allies...were concerned about poverty, corruption and disorder. Very few business men were hard-line social Darwinists or reactionary advocates of laissez-faire....Ironically, the severest critics of business...had their greatest following among the business and professional classes....And businessmen themselves, most notably Andrew Carnegie, wrote influential analyses of the problems of industrial disorder (Hall, 1987, p. 10).

While business leaders were against government solutions to social problems, some, like Carnegie and Rockefeller, were not averse to using their own wealth to advance society. Carnegie (1992) wrote that wealth should be used to "help those who will help themselves; to provide part of the means by which those who desire to improve may do so; to give those who desire to rise the aids by which they may rise" (p.11).

Business Progressives embraced this philosophy as they worked "to develop a private-sector alternative to socialism" (Hall, p. 11).

The development of philanthropic foundations represented one incarnation of this alternative. A second interpretation occurred in the 1880s when Welfare Capitalism emerged through a series of initiatives (essentially experiments) to improve the quality of life of workers in order to promote the increased efficiency and effectiveness of the
business. (Although the concept of company towns, as noted by Brandes, was initially executed in the early industrial era). Welfare Capitalism programs were most often implemented within a particular organization or in the community in which the organization operated. Linking the prosperity of the organization with the well being of the workers, their goal was to bind workers more closely to the organization. Characterized by a paternalistic viewpoint, examples of welfare capitalism included company towns, health care and insurance benefits, pensions, and subsidies of social and cultural services in the local community (Hall, 1987). “Given the calculable economic advantages to be gained from social investment, the business communities of many towns moved toward patterns of cooperation among business, government, and nonprofit institutions (p. 13).

During the Great Depression many of these experiments ended, as companies laid off workers and struggled to survive. The Progressive Party’s goal to have business provide the solutions to social problems utilizing the principals of capitalism was overwhelmed by the sheer size of the economic disaster the country experienced. When the Supreme Court declared the National Recovery Administration unconstitutional in the 1935 decision Schecter v. The United States, the private-sector alternative to full scale government intervention was derailed (Hall, 1987).

Recognizing the benefits of business’ support for nonprofit organizations and wishing to encourage this behavior, Roosevelt formalized the ability of corporations to deduct charitable expenses in the tax code. His effort was largely unsuccessful. Businesses could deduct up to 5% of their pretax income for charitable contributions, but this number never exceeded 2% between 1936-1980 (Hall, 1987) and was significantly
less than 1% prior to 1960 (Useem, 1987). In the years immediately after the changes in the tax code (1936-39), community chests were the recipients of almost all reported tax-deductible contributions (Brilliant, 1990). Hall believes the “soak the rich” redistributive policies of the post-1935 Roosevelt administration are linked to the private sector’s retreat from philanthropic activism. “In an atmosphere of distrust, corporate social and cultural investment, involving active efforts by companies to affect the environments in which they operated, became a relatively bland and unimaginative corporate philanthropy” (Hall, 1987, p. 16).

Conversely, foundations as an aspect of corporate philanthropy were thriving after 1940. Hall notes that between 1940 and 1959, 5400 were formed. However, this high rate of growth was due, in many cases, to the tax-avoidance incentive, rather than a desire to improve the public welfare. The eventual outcome of this unfettered growth (exacerbated by the liberal leanings of many foundations) is seen in the 1969 Tax Reform Act, which increased federal oversight and requirements for public reporting—and which some believe has had a chilling effect on the social activism and advocacy activities by foundations (Hall, 1987).

During the 1950s, corporate philanthropy was impacted by the 1953 landmark decision of the New Jersey Supreme Court that set aside the direct benefit rule (the need for the corporations to prove a direct benefit to their employees of their charitable contributions). At issue was a gift to Princeton University, and the decision in the A.P. Smith Mfg. Co. v. Barlow paved the way for a far broader view of corporate self-interest and set a precedent which led to increased corporate giving to educational institutions (Brilliant, 1990). There had been a growing belief within the business sector between
1947-1955 that the increasing power of the federal government (with its 'socialist' tendencies) could only be offset by the focus of attention and resources of the private sector (Hall, 1987).

The Chief Justice of the NJ Supreme Court seemed in agreement with this belief when he wrote:

I am strongly persuaded by the evidence that the only hope for the survival of the privately supported American college and university lies in the willingness of corporate wealth to furnish in moderation some support to institutions which are so essential to public welfare... I cannot conceive of any greater benefit to corporations in this country than to build and continue to build, respect for and adherence to a system of free enterprise and democratic government, the serious impairment of either of which may well spell the destruction of all corporate enterprise. (A. P. Smith Manufacturing Company v. Barlow et al., 13 NJ Sup. Ct. 147 [1954], as cited in Hall, 1987, p. 17)

As the old regime of business Progressives began to retire from business after the end of World War II, the new business leadership did not share their powerful suspicion of Big Government. By allowing government to take the lead in the private-public partnership as the primary provider for the citizenry's basic social, cultural, and welfare needs, the business leadership were able to allocate the overwhelming majority of their funds and attention to business (Hall, 1987). Also during this period, the balance between corporate giving and employee giving to community chests made a significant shift. In 1956, for the first time, employee support of united funds and community chests raised a larger percentage of dollars (39.6%) than corporate support (38.1%). By the
1970s, corporate support had dropped to 25% and employee giving had risen to 50% (Brilliant, 1990).

Because of the need to focus the vast majority of the company’s attention on achieving bottom line profitability, many organizations fulfilled their obligation to participate in community social welfare activities through their relationship with federated fund-raising organizations, most typically, the United Way. Brilliant writes:

This was so both in terms of direct dollar contributions, and in terms of company involvement in workplace fund raising, or agency volunteering. In addition, many companies viewed the United Way as a place to give rising corporate executives experience in community leadership. (p. 161)

The United Way (and its earlier incarnations—the United Fund and Community Chest) simplified the process of giving by managing one annual workplace campaign that protected companies from multiple appeals from human service agencies. There were other benefits as well. Brilliant writes:

The linkage with federated fund raising has at the same time served other latent purposes. It usually insured that corporations had little or no direct corporate exposure to any controversies involved in choices about giving, and were protected from responsibility for any bad choices. Given the absence of time necessary to make wise decisions among competing causes, the use of the federated fund-raising organization seemed to be an effective way of insuring good stewardship of the donor’s dollar, and accountability was presumed assured by means of an allocations process in which employees of the corporation could actually participate. In addition, the relationship with this one organized charity
has provided an important bridge to the community. It enabled a company to project an image of corporate good citizen, participating actively in a kind of consensus-driven community good, and also helped to insure some minimum awareness of corporate social welfare responsibilities, even when there was little internal motivation for this effort. (Brilliant, 1990, p. 162)

As the programs of the Great Society fell under attack in the 1970s and 1980s, the business leadership was unable to regain the Progressives’ former interest in creating a private sector alternative to the welfare state. When the Reagan administration reached out to the corporate world to compensate for cutbacks to federal programs serving social, cultural and welfare needs, there was very little interest among the business community in committing to give at even the 2% level—despite the 10% rate allowed under the 1991 Tax Act (Hall, 1987).

The Reagan administration’s expectation was highly unlikely when one considers that from 1960 to 1980, corporate contributions had averaged barely 1% of corporate pretax profits. Most businesses choose to make no charitable donations at all—with fewer than 25% of companies making any contribution and only 7.5% contributing more than $500 per year (Useem, 1987). While the 1997 corporate average was 1.1% of pre-tax income, a Conference Board Survey showed that among 211 of the nation’s largest companies, less than 1% has become the trend, with corporations reporting 0.7% in 1994, 1995, 1996 and 0.8% in 1997 (Gray, 1998).

Corporate philanthropy (as a portion of total giving) reached 5% in the late 1970s (Useem) and has maintained that approximate level since then—4% in 1989 (Salamon, 1992), 5.7% in 1997 (Dickey & Marchetti, 1998) and 5.1% in 1998 (Dickey & Marchetti,
If individual gifts to religious institutions are excluded, corporate philanthropy is approximately 10% of all gifts to nonprofit organizations (Useem, 1987).

A Foundation Center summary of corporations and the beneficiaries of their philanthropy found that education is the primary target of business giving and has been since 1982. Over the period 1977 through 1993, education overtook giving to health and human services as the leading beneficiary of corporate support. In 1993, education received 37.8% and health and human services 27.1%. Rather than reflecting an increased interest in education, however, this change in giving reveals a decline in corporate support of health and human services. Support for health and human services decreased from 38.3% in 1977 to 27.1% in 1993 while education remained essentially flat (37% in 1977, 37.8% in 1993). Civic and community giving has decreased from a high of 18.8% in 1984 to a low of 10.4% in 1992. "Other and unspecified" has grown significantly, from 4.2% in 1977 to the 1993 level of 13.6%. (Hodgkinson, Weitzman, Abrahams, Crutchfield, & Stevenson, 1996)

Education has retained its strong position in the corporate world's giving philosophy. In 1998, education-related charities were the largest beneficiaries of America's largest corporations. "...As companies continue to sharpen the focus of their philanthropy to dovetail with their overall business plans, youth-related causes appear to be the biggest winners" (Blum & Lipman, 1999, p. 7, 12)

In Useem's 1987 overview of corporate philanthropy, he found evidence that there was a tendency for businesses to give to large nonprofit organizations (regardless of reputation) or prestigious nonprofit organizations (regardless of size). There was also a preference given to nonprofits located near a business' operating locations. In
geographically dispersed organizations, there was a strong bias toward the headquarters location (Useem, 1987). This tendency may be impacted by the increasing globalization of American business. “A 1996 Conference Board study—and more-recent anecdotal evidence suggests—that gifts to charities abroad account for a relatively small but fast growing segment of corporate philanthropy” (Blum & Lipman, 1999, p. 12).

The relationships among individuals also influence the amount of support an organization will receive. Well-known and well-connected individuals are often able to deliver support not just from their own company, but from other companies where they have contacts as well. Useem (1987) quotes David M. Roderick, former CEO of U.S. Steel and trustee of several nonprofit organizations:

> Every person who comes to a [nonprofit] board has connections of one kind or another, and this may be the chief criterion for selecting most board members. . . . The network of sources that provides funds, services, and goods, not to mention the channels to other people with parallel and interlocking networks of their own, are what really oil the board activity of every group (p. 344).

A study of corporate contributions raised by 340 universities revealed that those with board members who are well connected are four to five times more successful in raising corporate dollars than other universities (Useem 1987).

If a business organization is one of the 25% giving to charitable organizations, research shows that size of the business typically governs the methodology of giving. The interests of the owner largely drive the giving of small business organizations (Burlingame & Frishkoff, 1996; Useem, 1987). Small and medium-sized businesses give
at least as much (proportionally) as larger businesses, and their giving pattern shows that noncash contributions match cash gifts (Burlingame & Frishkoff, 1996).

Information about the contributions of small and medium-sized businesses cannot be extrapolated from information about the giving patterns of large corporations; in their giving practices, as in their business practices, these smaller businesses are not just miniature versions of big businesses. (Burlingame & Frishkoff, 1996, p. 87)

While large companies have a more formalized structure, the CEO's influence is felt there, as well. In a survey taken of 229 major companies in 1981, the major factors identified as very important in affecting the level of corporate contributions were:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discretion of the CEO</td>
<td>67.7%</td>
</tr>
<tr>
<td>Size of last year's contribution</td>
<td>64.6%</td>
</tr>
<tr>
<td>Earnings this year</td>
<td>48.0%</td>
</tr>
<tr>
<td>Size of firm in community</td>
<td>36.7%</td>
</tr>
<tr>
<td>Fair share obligation</td>
<td>33.8%</td>
</tr>
<tr>
<td>Earnings last year</td>
<td>30.1%</td>
</tr>
<tr>
<td>State of the economy</td>
<td>27.1%</td>
</tr>
</tbody>
</table>

(Siegfried et al., cited in Useem, 1987, p. 348)

While professionally managed corporate philanthropy programs have established criteria with which to evaluate requests for funding, the role of the CEOs and senior management cannot be underestimated. Individual preferences have the same impact in corporate philanthropy as they do with other corporate decisions (Useem, 1987).

CEO commitment is as critical to the success of federated fundraising in the workplace as it is to other forms of philanthropy. Both the success of the workplace campaign, although carried out by employees at lower levels of the corporations, and the size of the corporate gift are directly related to the attitude of the CEO toward the United Way (Brilliant, 1990).
Corporate philanthropy, while part of the fabric of American history, is not a concept on which there has been great unanimity of thought. Below are statements that define two strongly differing opinions along the continuum:

The Business Roundtable believes that corporate philanthropy, primarily through contributions, is an integral part of corporate social responsibility. All business entities should recognize philanthropy as good business and as an obligation if they are to be considered responsible corporate citizens of the national and local communities in which they operate (Business Roundtable Position on Corporate Philanthropy, as cited in Glaser, 1994, p. 37).

Twenty years before, economist Milton Friedman wrote “Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as possible” (Friedman, 1962, as cited in Levy, 1999, p. 113).

In recent years, as the business environment has become increasingly competitive with an overwhelming focus on establishing value for the shareholder, there has been a renewed acceptance of the Friedman perspective. There was no public outcry when Al Dunlap, then CEO of Scott Paper Company, said “It’s a sin to lose money, a mortal sin” (Downs, 1995, p. 22), laid off one third of the company’s workforce and eliminated all community involvement and giving. And while the organization “Business for Social Responsibility” had grown to eight hundred companies in 1995, it did so by determining that it could not hold its own members to specific standards of social responsibility. Instead, membership was open to those businesses that “demonstrate that they understand
[emphasis added] our mission, understand the principles of the organization and... wish to be a member...” (Stauber & Rampton, 1995, p. 72).

Historically, the members of the business sector have demonstrated various levels of interest and commitment in response to public needs. Today, their response is equally as disparate. As was mentioned earlier, one of the ways that many businesses have discharged their responsibility for community support is through their participation in federated fundraising efforts, primarily those of the United Way.

The United Way

Throughout the history of corporate philanthropy, federated fundraising has had an important presence. While alternative fundraising groups have raised their profile over the past fifteen years, the United Way (emerging from the Community Chest and United Funds movements) largely continues its dominance of the workplace charitable campaign because of the organization’s widespread access to a significant percentage of the business world.

At most companies in 1997, the United Way continues to monopolize the charitable payroll deduction program. This remarkable invention encourages employees to reach a decision only once each year about their level of charitable contribution. After they do, portions of every paycheck are automatically deducted and electronically transmitted to the United Way. In no small measure, the powerful advantages of reaching captive audiences of employees with a charitable appeal and offering them a convenient way to give explains how United Way became a $3.5 billion annual fundraising juggernaut. (Levy, 1999, p. 190)
When choosing to become involved in philanthropic pursuits, business has typically sought methods that were simple and efficient. Federated fundraising, benefiting a variety of well-respected charities in the local community, was an ideal solution. Community chests and united funds evolved into the United Way, and in their evolution pioneered techniques that increased their efficiency and were compatible with business—the workplace campaign and payroll deduction (Brilliant, 1990).

“For many Americans, the United Way has become a symbol of voluntarism, based on its perceived attachment to basic values of community, workplace, charity and business” (Brilliant, 1990, p. 10). The foundation for its existence is the belief that “there is sufficient communality of interest around basic values and goals to permit citizens to come together to solve their basic problems, share valuable resources, gain mutual benefits, and achieve the public good through a rational allocation of resources” (p. 8).

Were it not for the support of the corporate world, the United Way would not have achieved its current dominance. As we saw above, when the Business Progressives retired from active participation in the corporate world, their replacements were far less interested than they in using business resources to improve society’s general well being. Boiling the United Way down to its essence, it allowed companies to support the local community (while sharing the burden of that support with their employees) with the minimal distraction of only one workplace campaign. Brilliant writes:

The need to limit their attention in this area is certainly one major reason why corporations have welcomed the United Way as a convenient way to be involved in community affairs. Indeed, this involvement served for many years as a way of delimiting the scope of corporate social responsibility.... (p. 161)
The process of achieving this strong corporate acceptance was not an easy task. The 1950s and early 1960s were filled with disputes between the United Way and health agencies and other organizations that challenged its workplace dominance. These disputes distracted the organization from identifying an appropriate role in the complex political and social environment of the 1960s. Brilliant goes on to suggest:

'[b]oth on the local level and nationally, 'the movement' was out of step with the mood of country and had no clearly defined posture, at a time when organizational survival demanded both a sense of purpose and a willingness to adapt to a rapidly shifting environment (p. 46).

This would not be the only time the United Way would be caught unprepared to deal with changes in the environment.

Another challenge the United Way failed to meet as successfully as it could was the expansion of the nonprofit sector that began after World War II and continues today. Between 1970-1984, the IRS granted tax-exempt status to 63,119 nonprofit organizations (excluding religious organizations), and 55,657 were likewise approved for tax-exempt status between 1985-1992 (Hodgkinson, et al. 1996). There were now many more organizations with vocal constituents demanding an increase in United Way's diversity to enable them to receive funding. These organizations reflected interests and causes that did not necessarily meet with the approval of the mainstream leadership in the community e.g., minority issues, women's issues, and gay/lesbian issues (Brilliant, 1990).

Each United Way organization has a different portfolio of member agencies. While these portfolios include local nonprofit organizations, they also almost invariably
included representation from the large, traditional organizations such as Boy Scouts, Girl Scouts, Family Services, Boys and Girls Clubs, the Salvation Army, the Red Cross, and the YWCA/YMCA. The close relationship between community funds and the local affiliates of large, powerful, national agencies has its foundation in the earliest days of the movement (Brilliant, 1990). The traditional nonprofit organizations most easily met the commonly accepted community standards required by the consensus-based decision making for which the United Way organization prided itself. They were also unlikely to alienate the business community that was providing access to funders in addition to corporate contributions (Glaser, 1994).

The situation was a complex one. Government funding for human service organizations had been cut dramatically throughout the 1980s. The size of the sector had increased significantly. Those organizations that had traditionally received their ‘share’ from United Way were also vociferous in their demands to maintain the status quo in funding methods and amounts because they, too, were struggling to find sufficient funding.

...[T]he United Way system was...facing continued pressure to diversify its funding package, and therefore to spread its slightly increasing funds to an ever-larger group of agencies, in order to respond to the challenge of employees who were demanding the opportunity to give to a variety of charities of their own choice. (Brilliant, p. 219)

Alternative funds representing non-United Way agencies began to put pressure on businesses to allow them to campaign in the workplace. After a prolonged battle, federal workers won the right to open up the campaign to non-United Way agencies. The United
Way was more successful in protecting the corporate workplace, but there was a cost attached to corporate America’s loyalty. Strong pressure was put on the United Way by the business sector to allow donors the ability to choose how their dollars would be used. Recognizing that the negative perception of its hegemony of the workplace was endangering its existence, in 1982 the board of governors of United Way of America approved a Donor Option Resolution to encourage all local United Ways to “provide Donor Option programs in a manner appropriate to their community” (Brilliant, p. 95). Better to compromise and allow the donor some choice, than to stand firm and lose outright. Donor Option would allow the choice to be made among United Way agencies, and Donor Choice would allow donors to designate their dollars outside the United Way federation (Brilliant, 1990).

However, this solution presented the local organizations with a dilemma. A guiding principle of the United Way was the citizen review process in which volunteers allocated donations, basing their funding decisions on their knowledge of community needs. By allowing donor choice or donor option, the United Way was moving away from a defining characteristic of the organization. In addition, one of its primary purposes was to benefit the local community by supporting member agencies. There was no ‘mission’ to benefit the nonprofit world in general. Thus, in giving donors the power they wanted, the organization was giving up some of its control over the allocation process, as well as potentially weakening the United Way’s relationship with its member agencies. This relationship had already been impacted by the harsh tactics the United Way had used in some of its local battles with competition—when United Way agencies
that accepted dollars from alternative fund-raising groups were threatened with loss of
their United Way funding (Brilliant, 1990).

At the local level, there was resistance to empowering the donor. By 1986, fewer
than half of the largest United Ways offered donor choice. There were several reasons
for taking this position.

*Individual choices were not considered informed choices* [emphasis
added]...and the principle of individual freedom to choose suggested a weakness
in the fabric of the United Way myth of community decision making on the
consensus model....In addition, there are some serious structural dilemmas in the
implementation of any kind of donor option plan. These dilemmas include the
problem of containing its scope so that it will not endanger the essential
middleman role of the United Way in the allocation and distribution of funds

Nonetheless, the corporate sector maintained its support for donor choice because
it can placate the forces within a company demanding a more open access to the
workplace without allowing the disruption and loss of productivity created by multiple
campaigns. There was no doubt that the corporate leadership had no interest in seeing
this happen, though in the early 1980s, many business leaders made it clear that a more
inclusive group of affiliated agencies was needed in order for their support to continue.
The degree of inclusivity was defined differently based on the particular community and
its needs, but often it was defined as an increase in the number of affiliations with local
health organizations, particularly the American Cancer Society and the American Heart
Association. This satisfied the corporate partners and prevented the health organizations
from demanding individual access to the work place. Nonetheless, despite the apparent increase in diversity of affiliation, during its centennial celebration in 1987, the United Way of America announced proudly that 40% of its money was going to a group of only 12 national charities (Brilliant, 1990).

Despite the internal churn and controversy around the United Way in the 1980s, there was no movement away from support of the organization.

...[C]ompanies, once committed, are unlikely to drop their relationship with United Way, and may even go to great lengths to maintain it. Even when challenged by strong environmental forces, they maintain their loyalty in their actions and public statements and protect the myth of United Way's importance in the charitable arena....However, since company campaigns are sensitive to corporate interests, conditions in the environment will inevitably effect the way workplace campaigns are run....Thus, even while the principle of one unified, efficient workplace campaign is being maintained in theory, it is being altered in practice by a variety of submodels.... (Brilliant, 1990, p. 207)

Needless to say, these conditions placed stress on United Way organization, both nationally and locally. But there was much worse to come. In 1992, the Aramony scandal hit and with it a staggering amount of bad publicity that continues to reverberate today.

William Aramony was made President of the United Way of America in 1970 and had remade the organization in order to achieve both a greater compatibility with the corporate world and a stronger competitive edge in the nonprofit world. He recruited business leaders to sit on the board of United Way of America, and he implemented a
more centralized structure than the loose federation of more than 1000 United Way organizations had used in the past. Aramony did many good things for the organization, but he apparently confused the mores of the nonprofit world (particularly in the area of upholding the public trust) with those of the for-profit world, where the rules were a bit different.

In 1992, Aramony was alleged to have:

1. Used United Way of America personnel, funds, and other resources for personal benefit;
2. Installed friends in senior positions at United Way;
3. Arranged for favored colleagues to receive similar benefits from their relationships to spin-offs
4. Used United Way of America resources to pay for activities that should have been charged to the spin-offs; and
5. [May have] interceded with one spin-off to hire his son.

(Report to the Board of Governors United Way of America, cited in Glaser, 1994, p. 4)

The Washington Post published a front page article on February 16, 1992 revealing that: Aramony’s salary and benefits totaled $463,000; he used chauffeured automobiles, flew on the Concorde; he hired his friends and cronies; and he allowed a United Way of America for-profit spin-off to pay $430,000 for a New York condominium for him (Glaser, 1994). The media feeding frenzy was enormous, and the American public was outraged. On February 8, 1992, William Aramony resigned. But that did not stop the negative impact on the organization.
John S. Glaser, author of The United Way Scandal: An Insider’s Account of What Went Wrong and Why (1994) had worked for Bill Aramony for 23 years. His book is considered by many to be an even-handed account of the scandal. He describes the short-term impact of the scandal (his book was published two years after it happened) this way.

As of this writing, United Way campaigns have shown an average loss of 2.2%. This is attributed roughly to following factors, in order of importance: the economy; the generally negative atmosphere toward institutions; national-local problems, particularly regarding the Boy Scouts not permitting gay leaders; and, lastly Aramony. Among the several knowledgeable people with whom I spoke, their gut reaction was that the Aramony situation was of less importance than the economy for the poor campaign results. (Glaser, 1994, p. 141)

Given the seriousness of the charges and the fact that Aramony was convicted of fraud and tax evasion and sentenced to seven years in prison, Glaser’s musings could be described as whistling in the dark. There is no doubt that the United Way’s performance in the years since the scandal can hardly be described as stellar. While United Way continues to be the largest fundraising organization in the country, the numbers don’t look good. Overall giving to charitable organizations had risen 9% between 1991 and 1996, but giving to United Way had decreased by 11% (Johnston, 1997). Yet, while the Aramony scandal strained the United Way’s relationship with the corporate world, it did not cause an end to the organization’s domination of the workplace campaign. United Way campaigns continue, but unrelated to the scandal, the workplace, itself, is going through a significant transformation. Brilliant writes:
...By 1987, the world in which United Ways were operating had changed dramatically. Large corporations were expanding more by merger than by new products; corporate employees had developed awareness of their own entitlements and rights, and productivity and real wages were both decreasing. Industrial America was turning into an information and service economy, with new small businesses providing the major source of growth; internationalism was a fact of life as corporations were increasingly involved in a worldwide economy.

There were other trends which made the climate difficult for traditionally oriented large organizations at the end of the 1980s. The ‘me’ generation wanted representation in decision making and decentralization was in the air. Big was not beautiful; and the notion of one community consensus, dominated by a middle-class, Judeo-Christian value system had lost credibility as new subgroups gained recognition for their particular issues or needs. These needs were varied...and they were based on a sense of empowerment, which had shaken the idea that there could be one communitywide view of the public interest.... (p. 261-262)

In the ten years since Brilliant’s examination of the United Way, the world and with it the business environment, have increased their breakneck rate of change. Forces that Brilliant did not even consider, e.g., Internet, are reinventing business. Others, like globalization, have exceeded any impact she could have imagined. And, there is no sign that the pace of change will slow.

For the United Way, tomorrow will not be like today. Throughout its history, the organization has shown great resourcefulness in adjusting to the forces acting upon it and in using its strengths to modify the environment. Yet the organization has consistently
lacked the flexibility to be proactive in its approach, rather than reactive. In 1975, Stanley Wenocur noted that United Ways, which required consensus and cooperation in order to survive and function, tended to maintain the status quo by institutionalizing decision-making processes that manage environmental uncertainties quickly and easily. Increasing levels of external uncertainties would challenge this practice.

From the United Way perspective, external environmental uncertainties inhibit rational decision-making and planning. Yet past methods of managing environmental contingencies have brought about organizational rigidity and conservatism...To avoid the Scylla of organizational irrationality and the Charybdis of organizational constriction, local United Ways will in the future have to interact with their environments more “pro-actively”. (Wenocur, p. 228)

As we head into the 21st century, some local United Way organizations are meeting the uncertainty of their environments by attempting to turn the clock back and restrict donor choice. The United Way of Cleveland has restricted the dollars its donors can designate outside the United Way system. The executive director of an agency receiving United Way funding in Richmond, VA “says that when he speaks at companies that are gearing up for their United Way campaigns, he tries to steer donors away from making their own decisions about where their gifts go” (Blum, 1999, p. 34).

Looking to the past for solutions will not place the United Way in a strong position to meet the hazards created by today’s rapidly changing social, political and business environment. Having struggled significantly to manage the challenges it faced in the 1980s from donor choice and having staggered badly in the 1990s, it is hardly in top form to face the millennium.
Betty Beene, president of United Way of America admits to a perception gap, a lack of understanding among the American public regarding her organization. "There is a disconnect between what United Ways do and what people think they do (Johnson, 1997, p. A-28). After 110 years of operation, this ignorance of the purpose of the organization is disconcerting, if not alarming.

Yet, there is still the bond Brilliant spoke of between the corporate world and the United Way. She hearkens back to the Business Progressives when she writes:

Americans clearly believe that some part of our life, some of our major institutions, must not be government run (even if in fact they are often government funded)....In this sense, federated fund raising can be considered a kind of secular tithing, representing a form of community charity which may be in a state of transition but to which nevertheless a certain portion of one's weekly earnings should be given. People grumble about it, and object to it, and some may even feel strongly about the kind of choices they are offered. But workplace charity has become part of the mythology of America, embedded in the community, in the public and private workplace, and in the national voice of the president of our country. Powerful interests want it to improve, but they want it to continue. (Brilliant, 1990, p. 266)

At least for the moment, many corporations still want to do their part for the community as painlessly as is possible, and thus, the United Way remains a major player in corporate philanthropy. Its $3.58 billion 1998-9 campaign was an increase of 5.1% over the prior year—the third consecutive campaign period for which the United Way increase exceeded inflation. But there are disconcerting trends, as well. The percentage
of employees participating in the United Way campaign has decreased from 47% in 1989 to 35% in 1999. Donor designation has significantly impacted the dollars available for allocation to United Way agencies. (Hence, the tactics described above.) Restructuring at large companies continues to cause campaign losses, particularly as potentially offsetting campaigns in small and medium sized businesses have shown mixed results. This has caused the local United Ways to make a special effort to maintain results in the large national corporations. The United Way of America is also focusing its attention on working with the large companies to identify the most effective solicitation methods (Hall, 1999).

But, as we have seen, changing conditions will influence corporate decision making. Already in many communities, the automatic participation of CEOs (or CEOs-in-training) on the board of United Way is a thing of the past. The loyalty engendered by that experience is also lost. With the frequency of mergers and acquisitions, many with an international partner, the hometown base of support is diminished even more—and often with it, the motivation to maintain the traditions inherent in the relationship with the local United Way.

**Motivation for Corporate Giving**

Despite a substantial amount of research, the motivators for the philanthropic behavior of corporations are difficult to pin down. In 1976, Harris & Klepper found that half of the presidents and chairmen of large corporations agreed that "corporations should be a leader in public service activities, [because] this is required for long-term success and survival" (Useem, 1987, p. 351). It is important to keep in mind that Harris & Klepper's study was conducted during what may have been the high water mark of
positive feelings toward corporate social responsibility. Even at that time, only 50% of the leadership strongly supported the concept. Since then, the rhetoric has cooled significantly. Yet, there is little observable difference in the amount of money actually contributed to charitable interests by the business community. In 1980, 1.01% of pretax corporate income was contributed to charity (Useem, 1987); in 1997, 1.1% was contributed (Gray, 1998). “The business norm of nearly 1 percent is the best single predictor of future levels of corporate philanthropy (Useem, p. 340). Notwithstanding this consistency, the literature suggests a plethora of motivations for this most tangential of business activities.

Useem (1987) identified four major determinants affecting whether or how much a business will contribute. These factors are not independent of one another, but work together to help define the companies’ philanthropic activities:

1. Self-interest: a set of factors related to the immediate corporate goals of securing reputation and profitability
2. Management’s attitude toward corporate social responsibility
3. Local and national business cultural attitudes toward giving
4. Government policy toward charitable giving

Discussing them individually, we begin with the issue of self-interest. Useem (1987) writes:

The leading variable accounting for many of the differences [between corporations] is the firm’s perception of self-interest. If a firm’s managers feel that making gifts will benefit employee morale, or reduce government
interference, they are likely to do so; but if they see no payback for the company, they are far less likely to make contributions. (p. 348)

Research has shown that there is high correlation between a company’s advertising and customer service expenditures and their philanthropy. Industries with high levels of contact with the public, e.g., insurance, retail and lodging, maintain significantly larger advertising and philanthropy programs than do mining, construction and other industries with limited public contact (Useem, 1987).

Yet, image and brand building opportunities are not the only factors to consider. The amount of competition within an industry also affects corporate giving.

In sectors in which there are a few large, dominant firms giving rates are higher than in sectors populated by many firms, each with modest market shares, even taking varying profit levels into account. Large firms in concentrated markets, less constrained by the competitive fray of the less concentrated sectors, are more able to invest in trade associations, the acquisitions of other firms, candidates for political office, and nonprofit organizations (Useem, p. 349).

Studies also show that the public is not only aware that firms vary in social responsibility, but that the public’s perceptions correlate with the actual level of company contributions (Useem, 1987). “An improved public image may have no immediate payback for a firm, but it does expand a company’s latitude in dealing with matters of interest to the public, whether it be union negotiations, plant closings, or tax legislation (Useem, p. 354).

To Useem’s second point, management culture and attitude also have an impact on philanthropy. “Since the level and direction of a company’s giving are largely
determined by its overall concept of socially responsible behavior, its philanthropy cannot be understood apart from it” (Useem, p. 348). While the consideration of self-interest, and, of course, profits will predispose a company to make (or not) philanthropic contributions, the attitudes and actions of senior management are likely to make the final difference. Considering these same issues, Merenda (1981) conducted five case studies of corporate programs of social responsibility. In all five cases, he found “the chief executive is the pivotal figure when it comes to the initiation of voluntary social programs” (cited in Useem, 1987, p. 350). In terms of sustaining such programs, a more general culture of management commitment is critical. This culture insulates the programs from short-term turbulence, preventing them from being discontinued or thrown off-track.

Local and national business cultures either provide permission to be ungenerous or the motivation to be one of the stars. “Whatever a firm’s level of managerial commitment to and private stakes in a contributions program, if its metropolitan or national business community considers generous giving an obligation, it will tend to be more responsive” (Useem, 1987, p. 350). Galaskiewicz (1986) found in a study of sixty-nine publicly held companies in Minneapolis-St. Paul that the most generous companies were found to be those whose senior managers are in close contact with local philanthropic ‘stars’ and the local elite. The study also found that the most generous companies had gained a reputation as the successful companies, regardless of their actual financial results—certainly a significant benefit (as cited in Useem, 1987).

Other local factors that influence corporate philanthropy are the size and development of the local nonprofit sector (a better organized sector pulls more money)
and the presence of a strong tradition of noblesse oblige among old families of wealth, which tends to reduce corporate giving (Useem, 1987).

Finally, government policies can have a direct bearing on corporate giving. Tax policy is one of the most direct methods to impact giving, but holding the carrot of tax benefits out to corporations requires the establishment of a real benefit firmly based in reality. Raising the corporate deductibility threshold (from 5% to 10%) had very little impact on donations in the 1980s because only 10% of companies were deducting what had been the maximum rate and could therefore find an additional benefit easily within their reach. It has been demonstrated repeatedly that corporate giving is strongly influenced by corporate profitability, so simply reducing government spending on social programs will not motivate corporations to step up to fill the breach. In fact, in work done by Siegfried & McElroy in 1981, there is some evidence that lower government spending on human services at the local level leads to lower corporate spending. However, where the corporate world can see a true benefit, e.g., the special conditions for deductibility of equipment benefiting education, they will respond with alacrity (Useem, 1987).

In 1996, Young & Burlingame identified four conceptual frameworks for thinking about corporate philanthropy in their discussion of some of the key literature on corporate philanthropy “Paradigm Lost: Research toward a New Understanding of Corporate Philanthropy” included in Corporate Philanthropy at the Crossroads. Each of these constructs identifies a basis for the motivation for corporate philanthropy which will be discussed below.
The Neoclassical/Corporate productivity model encompasses most of what we have discussed so far. The motivation for corporate philanthropy is the potential for a positive impact on corporate profitability, either in the short-term or the long-term.

The Ethical/Altruistic model is "based on the assumption that corporations generate financial surpluses that are used by corporate leaders to do what is right for society....It is based on an understanding that corporations and the societies they operate within are extremely interdependent" (Young & Burlingame, 1996, p. 160).

The Political model focuses on corporate philanthropy as an attempt by corporations to advance their long-term interests in society. The motivator is the desire to preserve corporate power and autonomy by limiting the role of government through the support of nonprofit organizations, a sentiment with which the Business Progressives would certainly concur.

Finally, the Stakeholder model positions the corporation as an entity that is affected by numerous significant groups. The goal of the corporation is to manage these various stakeholders effectively, and philanthropy is one way to accomplish this.

In introducing their discussion of the four models, Young & Burlingame (1996) recognize that "although thoughtful practitioners and scholars have made important headway, we still have trouble answering the question—Why do businesses engage in giving and volunteering?" (p. 159). In examining their models, we can gain excellent insights. By stepping back and thinking about all of these motivating factors, and particularly by looking at these models as systems, the CEO's role becomes very pronounced—perhaps because that is the level at which the self-interest of the corporation is defined. It is the leadership of a business that creates the opportunity in a
particular environment for one (or none) of the models to be implemented. It is with
difficulty that one can imagine the likelihood of corporate philanthropy occurring if there
is not some belief in its importance, whatever the motivation, at the top.

In concluding their discussion Young & Burlingame (1996) wrote:

What makes the present moment in time especially interesting is that all
four paradigms now seem operant. The corporate world has become sensitized to
the social obligations of business and to the legitimate needs and interests of
multiple groups, and there is no going back on these fronts. Moreover,
globalization of economic activity has made the political environment more
complex, and the networks of corporate stakeholders more diverse. Yet changes
in both the international and domestic economies make financial competitiveness
more important than ever. Thus, corporate philanthropy must now be understood
from the viewpoints of all four models. (p. 163)

In summary, there is no preponderance of evidence showing that philanthropic or
socially responsible corporations are successful corporations (Useem, 1987), although it
is clear that the corporations participating in philanthropic programs believe it makes a
difference to their business. Although more than 100 years have passed since Carnegie
penned his “Gospel of Wealth”, it may be that the business leaders of today are
motivated, at least in part, by the same fears and desires.

Evidence scattered through a number of studies supports the assessment of
Preston (1981a, 13)...that 'the bulk of corporate philanthropic activity has no
connection whatsoever with profit-seeking behavior or any other conventional
business management goal. It does, however, have a great deal to do with the
preservation of the social system within which the corporation operates.' If so, this would help explain why so little evidence links individual company profits to social performance. The link is at a different level: contributions improve the climate in which all major firms can prosper, with little private capture of benefits by the giving corporation (Useem, 1987, p. 354).

As we move into the 21st century, the motivations for corporate giving are being impacted, as are all other parts of organizational governance, by the powerful forces alluded to by Peter Drucker at the beginning of this document. Below we will discuss in greater detail some of those forces in order to anticipate more effectively their impact on corporate philanthropy.

The New Social, Demographic and Economic Realities

...[W]e have to understand that today’s global economic system is still so new and so fast that even our best minds don’t fully understand how it works and what happens when you pull a lever here or turn a dial there. Alan Greenspan…a lifelong scholar of international finance, as well as one of its more important practitioners today….said [in December, 1998] ‘I have learned more about how this new international financial system works in last twelve months than in the previous twenty years’. (Friedman, 1999, p. 368)

In an environment where there is rapid change and frequent uncertainty, where organizational success is being measured by the speeded up clock of Internet time, what assumptions exist that can be used to determine how management should chart the organization’s course? Peter Drucker (1999) has identified five phenomena that can be considered certainties:
• The collapsing birthrate in the developed world
• Shifts in the distribution of disposable income
• Changes in defining successful performance
• Global competitiveness
• The growing incongruence between economic globalization and political reality

While this is unlikely to be the final word on the 21st century challenges for management, the realities Drucker outlines will certainly have a major impact on all organizations, and thus deserve discussion.

For at least the past two hundred years, the institutions of modern society have assumed a steadily growing population. The low birthrate in the developed countries means that the population in many of these countries is already peaking, and at some point, older people will outnumber younger people. The implications of this are that for the next 20-30 years, demographics will dominate the politics of these countries creating turbulence as the issues of retirement age and immigration are debated.

The second major area of influence is shifts in the distribution of disposable income, which

...are just as important as shifts in the population, but usually even less attention is paid to them. And they are likely—indeed all but certain—to be as dramatic as the demographic changes during the first decades of the 21st century.

(Drucker, 1999, p. 50)

In this discussion, Drucker identifies the four growth sectors from the 20th century as government, health care, education and leisure. While leisure may have evolved into a
mature, if not declining industry, health care and education will continue to grow, and
government, despite certain politically motivated claims to the contrary, continues to
acquire tools to influence and control the distribution of disposable income.

In The Lexus and the Olive Tree, Thomas L. Friedman (1999) discusses the
increasing gap in disposable income between the haves and have-nots in the
industrialized countries. While several reasons for this are mentioned including: the
massive demographic shifts from rural to urban areas, rapid technological changes that
tend to reward knowledge workers rather than the less skilled, the decline of unions,
rising immigration, and expanded foreign trade, Friedman emphasizes the impact of the
phenomenon of "winner take all".

[T]he winners in any field today can really cash in because they can sell
into this massive global marketplace, while those who are just a little less
talented, or not skilled at all, are limited to selling in just their local market and
therefore tend to make a lot, lot less (p. 248).

Referring to Frank & Cook's The Winner-Take-All Society, Friedman reflects on
the fact that

[t]he gap between first place and second place grows larger, and the gap
between first place and last place becomes staggering....The more that different
markets get globalized and become winner-take-all markets, the more inequality
expands within countries, and...between countries. (p. 250)

Currently, business in America is being largely guided by the principle that
businesses should be run exclusively for the benefit of the shareholder, and this benefit is
defined largely in the short-term. Drucker's third certainty for the 21st century is that the
large population of older workers will influence the standards for defining successful
corporate performance. With "institutions representing the future pensioners owning at
least 40% of all American publicly listed corporations and probably more than 60% of
the big ones" (Drucker, 1999, p. 59), the policies of those businesses will be impacted by
the need of the shareholders for long-term financial security rather than short-term gain.
At the same time, the knowledge workers who are an increasingly large portion of the
workforce will also need to be satisfied with the manner in which the company defines
successful performance in nonfinancial terms in order to continue their commitment to
the organization. "All institutions will therefore have to think through what performance
means. It used to be obvious and simple. It no longer is" (Drucker, 1999, p. 61).

Global competitiveness, Drucker’s fourth phenomenon, has been discussed at
some length above. Drucker (1999) concurs with Friedman about the importance of
being able to participate effectively in the global community. "Any institution—and not
just businesses—has to measure itself against the standards set by each industry’s leaders
anyplace in the world" (p. 63).

Finally, Drucker speaks of the incongruence between the economic reality of
globalization and the fact that political boundaries are not going to go away. In the 21st
century, companies will be challenged by having to live and operate in three different and
overlapping spheres (often at the same time): the true global economy of money and
information; the regional economies in which goods circulate freely and impediments to
the movement of services and people are being reduced; and the national and local
political realities which can be rife with restrictions and barriers.

Add to Drucker’s five ‘givens’, the fact that
Today's markets are so big, so diverse and, with the advent of the
Internet, becoming so fast, that they can never be made immune from crisis.

Global financial crisis will be the norm in this coming era. With the speed of
change going on today, and with so many countries in different stages of
adjustment to his new globalization system, crises will be endemic. (Friedman,
1999, p. 371)

In addition, Drucker acknowledges that the issue of knowledge worker
productivity is the biggest of the 21st century management challenges. Today,
management knows about as much concerning knowledge worker productivity as it knew
about manual worker productivity in 1900. But because the knowledge worker owns the
means of production—the knowledge in his or her brain—management’s relationship
with this worker will be very different than with manual workers. These are not
subordinates, they are associates, and typically they know more about their job than their
manager knows. Their productivity is a survival requirement for the developed countries
because “in no other way can the developed countries hope to maintain themselves, let
alone to maintain their leadership and standard of living” (Drucker, 1999, p. 157).

These new social, demographic and economic realities will make the environment
of all three sectors in the early 21st century a turbocharged roller coaster ride that will be
extremely unforgiving of any organization’s attempt to function in a ‘business as usual’
mode. Despite the daunting environment engendered by economic crises, empowered
workers, a shrinking population of young workers, greater disparity between the haves
and have nots, and the challenge of operating within three differing spheres of political
and economic freedom, not to mention the societal turmoil resulting from these forces, there is no opportunity for organizations to opt out of this new reality.

We face long years of profound changes. The changes are not primarily economic changes. They are not even primarily technological changes. They are changes in demographics, in politics, in society, in philosophy and, above all, in worldview. Economic theory and economic policy are unlikely to be effective by themselves in such a period. And there is no social theory for such a period either....But a few things are certain in such a period. It is futile, for instance, to try to ignore the changes and to pretend that tomorrow will be like yesterday, only more so. This, however, is the position that existing institutions tend to adopt in such a period—businesses as well as nonbusinesses. It is, above all, the policy likely to be adopted by the institutions that were most successful....Thus it can confidently predicted that a large number of today’s leaders in all areas...are unlikely still to be around thirty years hence, and certainly not in their present form. (Drucker, 1999, p. 92-3)

It is the simplest of progressions to anticipate that these epic changes will affect corporate philanthropy—particularly in light of the fact that Drucker (1999) anticipates that the growth sector in developed countries in the 21st century will not be business, i.e., an organized economic activity. Rather, it is likely to be the nonprofit social sector.

Corporate Philanthropy at the Crossroads

While the future impact of the relentlessly changing world environment on corporate philanthropy is a matter for reflection and preparation, a review of corporate philanthropy in the recent past informs one of its current focus and direction.

Downsizing has transformed the management of corporate philanthropy in the United States. Forced to explain why businesses should give away money while laying off workers, contributions managers at hundreds of companies, including AT&T, IBM, and Levi Strauss, have come up with an approach that ties corporate giving directly to strategy. In those and other companies, philanthropic and business units have joined forces to develop giving strategies that increase their name recognition among consumers, boost employee productivity, reduce R&D costs, overcome regulatory obstacles, and foster synergy among business units. In short, the strategic use of philanthropy has begun to give companies a powerful competitive edge (Smith, 1994, p. 105)

Given the emphasis on change in Smith’s description of the New Philanthropy, it is disconcerting that the ‘new philanthropy’ does not appear very different from the old philanthropy described above. This is particularly true when considering Useem’s first major determinant, self-interest—despite the fact that his work occurred in 1987, well before the era of frenzied downsizing began.

Smith’s primary model for the ‘new philanthropy’ is the AT&T foundation, which has, indeed, added some fresh twists to its corporate philanthropy. Perhaps most innovative is the linkage of foundation initiatives to business functions, with the expectation that they would advance business interests. Business units, e.g., marketing, human resources, IT, and R&D, are expected to contribute resources (people, budget dollars, expertise) to foundation initiatives with the expectation that they would produce a
return in line with a particular organizational strategy. The initiatives themselves were no longer the domain of the CEO (although CEO support of philanthropy continues to be of critical importance). The philanthropy professionals would have the opportunity to meet with senior management to discuss initiatives and would also participate in corporate strategy sessions.

The new philanthropy thinks globally. In its approach, AT&T is modeling itself after IBM, a corporate leader in its vision and implementation of international philanthropy. Both organizations recognize that philanthropy programs remaining US focused will not resonate with customers and other stakeholders in the global business environment.

What is really new about the new philanthropy is how the philanthropy happens, rather than why it happens. In fact, both the ‘New Philanthropy’ and Useem’s (1987) description of self-interest would fit quite comfortably into the Neoclassical/Corporate productivity model discussed above. Admittedly, the self-interest that Smith describes is more specifically defined, with a focus on supporting particular business strategies. However, the greater change is in the application of philanthropy. Pulling together several business units and using their resources to accomplish a philanthropic initiative linked to a business strategy is definitely a new approach. Yet, an overreaching similarity between the old and the new philanthropy is the importance of the CEO’s commitment. While the CEO performs a different function in the new philanthropy, if he or she is not engaged, this type of cross-functional effort is unlikely to succeed. In fact, any giving effort will be at risk. Today’s increasingly competitive business environment has given
business leaders permission to push philanthropic efforts, whether old or new, to the back burner.

"...[T]hey [CEOs] do not want to outspend their foreign competitors, who shell out far less on corporate philanthropy and have seized market share from US companies. In line with that trend, business leadership organizations are no longer rallying companies to give more. The Business Roundtable... the Rotary Club, The Conference Board, and even the Committee for Economic Development are no longer exhorting their members to increase giving. Instead, most ignore the topic of philanthropy altogether on the grounds that competitiveness has replaced social responsibility as the top issue (Smith, 1994, p. 113).

The model for the 'new corporate philanthropy' has continued to evolve. A survey of 463 companies identified four key trends contributing to a more 'holistic' approach to corporate giving (although many companies in the study sample, primarily the smaller and less well-known, maintained a traditional, top-down giving program):

1. Programs are becoming narrowly focused and aligned to business goals
2. Giving is moving toward investment that yields a measurable return to the company
3. Image enhancement and increased employee loyalty are emerging as value-adds of giving programs
4. The link between corporate giving strategies and customer concerns is strengthening

Source: Alperson, 1996
Yet this is certainly evolution, rather than revolution. Image enhancement has always been a perceived benefit of philanthropic efforts, and increasing employee loyalty goes all the way back to the principles of Welfare Capitalism. None of the trends implemented by companies at the forefront of strategic philanthropy would be contradictory to Andrew Carnegie’s opinion that “[t]hose who would administer wisely must, indeed, be wise; for one of the serious obstacles to the improvement of our race is indiscriminate charity” (Carnegie, 1992, p.10).

Requiring that a philanthropic donation yield a measurable return is a significant change from the old philanthropy. It is certainly in step with the current emphasis on accountability and outcome measurement in the nonprofit world. Useem (1987) discusses that one of the major frustrations in corporate philanthropy is the difficulty of getting meaningful results. Increasingly, this has become an area of focus among funders, and nonprofit organizations have begun to adapt (some better than others) to meeting the requirements. However, being able to show that the nonprofit initiative—whatever it might be—accomplished its goal is very different from proving a quantifiable return to the funder. If, for instance, multiple initiatives were entered into in order to avoid government regulation, how can a direct causal link between them and a nonevent be proven? And while one may be able to quantify the cost of the potential regulation, how does one know whether all initiatives actually produced the desired outcome, or if only one, which one? In situations like this, the cost of attempting to quantify the outcome may exceed the benefit of knowing there was a positive return.

In addition, many corporate philanthropic efforts have focused on education and other areas where there is no quick pay-off or result of the program. Given that many
initiatives have long-term payoffs, and taking into account the short-term focus of business today, once can anticipate difficulty in attempting to apply cookie-cutter valuing paradigms to complex social and educational efforts.

Another difference between the old philanthropy and the new is the locus of the momentum. In the old philanthropy, "most ... corporate involvement... seem[ed] to be stimulated more by initiatives of the grant seekers and fund raisers than by long-range planning of the corporation (Brilliant, 1990, p. 161). In the new philanthropy, the strategic initiatives of the business are the drivers, and the needs of the business units create the momentum in one direction or another. This change will create the opportunity for a much wider base of support for philanthropic programs, but there is also the potential for an increased preference for mainstream, popular, and easy to articulate programs.

As a comment on the shake up occurring in corporate philanthropy circles, The Conference Board mentions in its 1995 report that the very appropriateness of the term philanthropy is being debated. By 1998, Curt Weeden, former head of Johnson & Johnson's philanthropy program, announced that he believed the term corporate philanthropy should be erased from the private sector vocabulary. Its replacement would be a new term, describing a new process—corporate social investing. Weeden sets out his detailed ten-point plan for creating new and powerful connections between the private and nonprofit sectors in a book entitled Corporate Social Investing. "Corporate profits make corporate social investing possible. And in turn, social investing uses charity to create conditions that are conducive to making a profit (Weeden, 1998, p. 39). This sounds not far removed from Progressivism and very similar to concepts outlined by
Usem and others earlier. However, here again, the difference is primarily in the how.
Rather than taking the very broad view of the business environment and embracing
efforts that could positively impact conditions in the environment or community, and thus
create a ripple effect also benefiting the company,

[s]ocial investing disciplines a company’s charity (or philanthropy) so that
it is focused on the same general field of interest that the corporation has marked
as its own primary business territory, strategically applies funds paid to external
nonprofit organizations...in a way that also helps the corporation, and leverages
whatever gifts or payments are made to nonprofits so that these allocations end up
helping the company continue to be profitable (Weeden, 1998, p. 39).

In this model, with rare exception, a business reason (specific, not general) is required for
every investment made, and a return on investment is expected. “Where its appropriate,
practical, and legal, corporate social investing digs for more than enhanced name
recognition” (Weeden, 1998, p. 40). Bottomline, following Weeden’s program could
push another $3B into the nonprofit sector because the price of entry is the commitment
from each company that 2.5% of pre-tax profit would be dedicated to corporate social
investment. For General Electric, that would mean an additional $235 million on top of
what the company contributed in 1997. It is difficult to imagine a positive reaction to
Weeden’s recommendation coming from the ranks of CEOs whose companies’ giving
averages 1% of pre-tax profit. What is missing is an essential ingredient, proof. Little
change (certainly positive change) is likely to occur until the research exists that can
prove the benefits of corporate philanthropy in a way that corporate leadership finds
meaningful. It is clearly not enough to say, as President Bill Clinton did:
I am convinced that BSR [Business for Social Responsibility] has proved that the future of the American private sector, the triumph of free enterprise, will be in proving that we can actually do right by our employees, do right by our customers, do right by our bottom lines, if we are enlightened and do the right things (Clinton, as cited in Makower, 1994).

The sentiment is inspiring, but it begs many questions, including: What are the right things?; What does 'do right by' mean?; What will it cost?; Why should I bother?; What's in it for my company?.

In the emerging paradigm, corporate philanthropy is a business function that must prove its worth just like any other function....Stripped of its traditional protection, corporate philanthropy now is required to demonstrate how it can add 'value' to business strategies while still advancing social causes. But to do this, corporate philanthropy practitioners need the results of good research. However, this research has not been forthcoming (Smith, 1996, p. 2).

Smith then goes on to recommend that corporate philanthropy challenge the prevailing beliefs with good research, in the same manner used by Deming in his crusade for Total Quality Management. Although TQM is not the universal panacea for business it was perceived to be ten years ago, the methods used by Deming and his disciples to prove their concept to corporate America certainly proved effective.

The popularity of cause-related marketing has shown that the private sector is certainly willing to partner with the nonprofit world (even without the benefit of a charitable tax-deduction) when they see that it gives an advantage to their organizations.
The likely reasons can be found in a 1993 Roper Starch survey for Cone Communications of 2000 men and women aged 18 and over. The survey found the following:

- The purchases of 31% (when price and quality are equal) are influenced by a company’s business practices;
- 54% would pay a premium for a product that supports a cause they care about;
- 71% said cause-related marketing is a good way to solve social problems;
- 78% said they would be more likely to buy a product that is associated with a cause they care about, and two-thirds said they would change brands to do it.

(cited in Andeasen, 1996; Makower, 1994)

Cause-related marketing is not considered philanthropy by corporations and, typically, comes out of the marketing budget rather than corporate giving or community relations. However, given the principles of the new philanthropy discussed above, the possibility should exist that the standards that justify cause-related marketing as an appropriate marketing initiative (and expense) could also be utilized in a larger discussion and justification of philanthropy. When asked how they measured the success of cause-related marketing efforts, the majority of the executives did not look at direct sales. Instead, they pointed to softer measures such as improvements in image, increases in customer loyalty and increases in the satisfaction of customers and employees (Roper Starch Survey 1995, cited in Andeasen, 1996). All of these factors were also cited as historical motivations for corporate philanthropy and are currently coming under fire as inappropriate motivators and insufficient justification for philanthropy programs.
So why the new philanthropy? The rapidly changing and hyper-competitive business environment undoubtedly has had a very strong impact. This environment has forced many companies to teeter on the brink of extinction. To survive, companies have had to recreate themselves, and no business function has emerged unscathed—including corporate philanthropy. Perhaps as a result of this microscopic evaluation of the organization, stakeholders—shareholders and employees—have made efforts to insert themselves into the process of corporate philanthropy. Some shareholders are pushing for public policy initiatives that would require that information concerning philanthropy be shared.

A bill introduced by Rep. Paul Gillmor (R-OH) would require corporations to disclose the amount of money they have given to charities each year, as well as, the names of recipients of large grants. This bill (H.R.887) would amend the Securities and Exchange Act of 1934....Gillmor proposed a similar piece of legislation in the 105th Congress (H.R. 944)....It was also partnered with another bill (H.R.945) that would have required the approval of shareholders for any charitable contributions. Taken together, these bills would have created substantial barriers to corporate giving, and would have made contributions far less attractive to companies. (Carter, p. 1)

The bill is specifically focused on philanthropy and does not include any requirements concerning the disclosure of lobbying expenses, campaign contributions, or expenses for regulatory issues. While some companies have indicated that this type of disclosure would require excessive effort on their part, Gillmor did get some support from the Securities and Exchange Commission (SEC) when he sent H.R. 887 to the
organization for review. The SEC indicated in a 39-page report that public companies are capable of this type of reporting. However, they did not give unqualified support, noting that investors' need for such reporting was unclear. "...[T]he commission does not intend to take any position regarding the legislation, or to examine whether a corporation's charity information is relevant to investors" (Blum, 1999). A hearing on the bill by the House Committee on Commerce is planned for fall.

Employees who have been reengineered, rightsized, downsized and empowered have emerged from their shell-shocked state feeling more comfortable (particularly in a business environment of full-employment) to question some of the paternalistic attitudes and practices that govern philanthropy. Reynolds Levy, former head of the AT&T Foundation, anticipates that within the next decade, this feeling of empowerment will break the monopoly the United Way currently holds over the payroll deduction program.

The employee who, on any given day, can change with a single phone call how his or her 401(k) savings plan is invested or several times a year change health insurance features by tapping on a computer keyboard will find charitable paternalism intolerable (Levy, 1999, p. 191).

In a changing environment, businesses have renamed and rethought the implementation of corporate philanthropy. They have changed the targets of their giving. What they have not done is stop giving. Nor have they increased their giving, despite exceptionally positive business results. While there are no indications that corporate philanthropy overall is at risk, it seems very likely that corporate philanthropy will continue to be shaped and modified by the same powerful forces that are impacting every other facet of the private sector.
In order to explore these issues further, we will view the issue of corporate philanthropy as it is effected in Atlantic County, New Jersey, primarily through the efforts of the United Way of Atlantic County.

**Methodology**

As the largest fund-raising organization in Atlantic County, The United Way of Atlantic County (UWAC), a community-based nonprofit organization located in southern New Jersey, was chosen as the lens through which the impact of the changing role of corporate philanthropy could be viewed. As such, a case study of the UWAC in the specific context of corporate philanthropy has been developed.

To accomplish this required an intensive review of the literature in two specific concentrations: corporate giving and the United Way. In both cases, a review of the history took place, as well as an assessment of current practice and issues. In addition, a less extensive, but still thorough review of literature concerning management and business challenges anticipated for the 21st century also occurred.

In addition, an in-depth review of UWAC historical documents took place.

Finally, key informant interviews took place with ten individuals in the business and nonprofit sectors. The criteria for their selection was their leadership position in the community (present or recent past), and an understanding of the following: corporate philanthropy activities within their own organization and the community, the role of United Way in Atlantic County in terms of corporate philanthropy, and some knowledge of the health and human services needs in Atlantic County. These interviews took place over a three-month period in the summer of 1999. All of the participants were willing to
share their knowledge of the local philanthropic environment. They represented the major corporations, small business and the nonprofit sector.

I am on the board of trustees of UWAC, and this study took place with the full cooperation of the United Way Chief Professional Officer and his staff. Nonetheless, no modifications in findings or reporting were made by them to the final result, as the leadership of the organization is quite cognizant of the need to understand very clearly not only its own strengths and weaknesses, but also the challenges in its environment in order to continue to survive.

Findings

The Environment

Atlantic County is located in southern New Jersey, encompassing the farmlands of Hammonton and the casinos of Atlantic City. Its primary industry is tourism, with $8.24 billion spent by visitors in 1997 (approximately 1/3 of the total tourism revenues of the state of New Jersey). The gaming industry, supported by 12 casinos located in Atlantic City and employing approximately 45,000 workers generated $3.6 billion in revenues in 1998 (Arney, 1999). Currently the area is anticipating the second wave of casino growth, with two new properties opening in 2002 and 2003 and several others in the development stages. None of the properties are owned locally. Park Place Entertainment Corp. operating out of northern New Jersey owns two of the properties, and the organization is finalizing the purchase of a third property.

The casino industry recognizes that there is a need to expand its customer base in order to sustain profitable growth. With increased competition in Delaware and Connecticut, and with the expansion of several properties, the marketing and promotional
costs required to attract and retain gamblers can negatively impact profits. Claridge Casino, CEO, Robert Renneisen believes the industry is likely to continue its slow-growth mode for the next three years. "After that, executives and analysts expect the new casino hotels planned by Mirage Resorts Inc. and Boyd Gaming Corp. to stimulate new demand" (Weinert, 1999, p.1-7). However, the new properties will also create up to 15,000 new jobs, straining a labor pool that is already running short of qualified workers.

A recent survey by Rutgers University's School of Business projects that as many as 53% of casino workers may jump to another casino when the new properties begin to open in 2002. The casino representatives when apprised of the survey results did not seem concerned. "Movement is healthy", said the Sr. VP of Human Relations at Resorts Atlantic City. However, with even the current job market so tight that it is difficult to find qualified candidates ["casinos are recruiting more heavily, and interviewing more candidates, than before to fill some job openings"] this churn is likely to put a serious strain on the industry (Barlas, 1999, p. C-5).

The National Gambling Impact Study Commission released its 142-page report on Friday June 18, 1999. While the study recognized that "casinos are an important source of entertainment, jobs and income", it also went on record to state,

Even in the face of the apparent benefits touted by many in Atlantic City, at the time the commission visited in January 1998, the unemployment rate stood at 12.7%, not withstanding the legalization of gambling in 1978. The rate was considerably above both the national rate and rate of unemployment for the rest of New Jersey at that time. It is unclear, therefore, whether the introduction of
casino-style gambling has produced all of the benefits that are usually described by those who promote it. (Weinert, 1999, A-6)

The economy of Atlantic County is largely supported by service industries. In 1998, all of the new job growth occurred in the retail and service sectors (Weinert, 1999). Over the next five years, it is anticipated that the top ten industries in terms of employment growth will be service and retail industries (Atlantic County Human Services Advisory Council, 1999).

The population of Atlantic County grew by 6% in 1998 (Diamond, 1999), and it is anticipated the population will grow 4.1% between the years 2000 and 2005 (although this estimate may be conservative in light of the planned casino expansion). It is estimated that 29,456 people are currently living in poverty in Atlantic County, more than 10% of the population. Population in 2000 is expected to be 274,634 (Atlantic County Human Services Advisory Council, 1999).

United Way of Atlantic County

The United Way of Atlantic County (UWAC) is the county’s largest fund-raising organization, but over the past ten years there has been an increasing feeling of frustration among members of the community and UWAC staff, volunteers and agencies because of a lack of growth in results. A CAN-DO on-site analysis was performed in 1995 by team leaders trained in this intense, analytical review of environmental conditions. While the CAN-DO analysis identified strengths within the organization, it also highlighted a few disturbing trends. Among them was the gap between the community giving potential, identified here as $16.9 million and actual giving (in 1994) of $2,600,000 (the result of a four year declining trend). In addition, while the total
dollars raised by UWAC agencies had increased 22.4% from 1991-1993, UWAC’s revenues had declined (UWAC CAN-DO Analysis, 1995).

Another issue of importance is that with almost 70% of its revenues coming from the workplace campaign (United Way of America, Leaderboard Summary, 1998-99) the UWAC is finding it increasingly difficult to build the ties of loyalty and commitment with the corporate community that are necessary for its continued growth and prosperity.

The United Way of Atlantic County (UWAC) was founded as the Community Chest of Absecon Island in 1938, raising $65,519 that it distributed to 10 agencies. In 1973, following national trends, the organization renamed itself the United Way of Atlantic County. That year it raised $391,635, funding 28 agencies. While the 1980s, which saw the introduction of casino gaming, were a period of rapid growth—giving grew from $811,177 in 1980 to $2,756,698 in 1989—the 1990s failed to maintain that positive momentum (UWAC Board Members Manual, 1995). In the 1998 campaign, the organization finally achieved the goal of each of the past nine years by raising $3 million. As the primary fund-raising organization in Atlantic County, the lack of growth in the campaign in the 1990s was a source of great frustration to United Way staff, volunteers and member agencies.

In comparing the United Way of Atlantic County to 30 other comparable United Ways, its 18.3% increase in revenues over the past ten years (1988-1998) was only in the 29th percentile, and its 8.3% increase over the past five years was in the 25th percentile. This lackluster performance occurred despite a strong penetration into the marketplace. Running campaigns in 55% of the local corporations (businesses with greater than 50 employees) puts UWAC above the 75th percentile (in second place among its comparison
group). However, its per capita per employees campaigned, at $42, is just slightly above the 25th percentile of $40, and its average gift of $76 is the lowest of its comparison group (tied with Wilkes-Barre, PA). With 69.5% of its revenues generated in the corporate workplace, the UWAC receives a greater portion of its revenues from the employees of corporations than any other United Way in the thirty communities of the comparison group. However, at 9.3% of the total campaign, it receives the smallest amount in corporate gifts (United Way of America, Leaderboard Summary, 1998-99).

As would be expected, the gaming industry has a significant impact on the UWAC's campaign. In fact, it represents approximately 50% of total dollars raised. However, employee giving is downtrending in the casinos. In 1990, the casinos with 39,648 employees made a total employee contribution of $1,585,684 (UWAC CAN-DO Analysis, 1995). At that point, this contribution represented 55.9% of the campaign. In 1998, the casinos with 46,433 employees made a total employee contribution of $1,178,043—representing 51% of the campaign (UWAC Casino Campaign Analysis, 1999). This represented a decrease of 25.7% in revenues over the nine-year period when the number of employees increased by 17.1%.

Currently leadership giving (major gifts of $1,000 and above) is one of the fastest growing areas of support for United Ways across the country. In 1989, UWAC had 78 leadership donors contributing $85,083—comprising 3% of the campaign. In 1998, leadership giving had grown to $291,062—9.8% of the campaign (United Way of America Leaderboard Summary, 1999). This is respectable progress, but UWAC still lagged behind other comparable United Way organizations. Its average gift of $1354 is
at only the 20th percentile among comparable United Ways (United Way of America, Leaderboard Summary, 1998-99).

The mediocre quality of the numbers certainly reflects the singular challenges of this particular environment. Owned by companies based outside of Atlantic County, there is such frequent turnover among the leadership and senior management in the gaming industry in Atlantic City that from year to year it has been very difficult to develop the long-standing ties (including board involvement) and the interest and understanding of the local community that would lead to strong traditions of giving at the various properties.

Nonetheless, the leadership of the organization at the board and chief executive level also bears responsibility for the lack of results. Having obtained access to the preponderance of corporate work sites in Atlantic County, the UWAC has been unable to gain sufficient support from either the corporate entities (in the form of corporate gifts) or of actual or potential donors. Focus groups carried out by the UWAC in 1998 identified three major weaknesses the organization must address:

- People (donors and potential donors) don’t understand what UWAC is;
- People don’t understand how dollars are allocated;
- People want to see the benefits of giving, year-round, not just during campaign. (UWAC, memo, February 1999)

Additional focus groups held in 1999 have confirmed these findings.

United Way of America discovered similar weaknesses when the advertising agency, Young and Rubicam, undertook some brand equity research on its behalf. This research uncovered the following:
- A low understanding of United Way's identify and value add
- Enthusiastic donors had a positive, yet impersonal and distant, relationship with United Way
- United Way is weak on differentiation.

**United Way of America presentation (1999)**

Yet the fact that the national organization faces similar confusion does not excuse the lack of vision and action on the part of UWAC's leadership. In the 1990s, the organization held two separate strategic planning processes. Each of them resulted in two very different missions, which may explain some of the confusion among the donors. However, both processes identified that the self-described 'basis of philanthropy in Atlantic County' (UWAC, Board Members Manual, 1995) was experiencing a gap of understanding with its donor base. In both cases, outreach efforts were put in place, the frequency of communications was increased, and yet, the results show that the employees in the workplace still do not understand the value of UWAC.

Currently the organization is seeking a chief executive officer, the second search within a four-year period. Both individuals remained within the United Way system, but neither felt they could make the UWAC the organization it needed to be.

**Implications for the Future of UWAC**

In the increasingly complex and competitive environment of the future, the UWAC, if it continues as it is today, will be seriously marginalized in its position within the community. Throughout the 1990's, the organization essentially stood still, which means that both in real dollars (when adjusted for inflation) and in community impact, it lost ground. While the organization was preparing to begin a strategic planning process
in the fall of 1999 to prepare for the challenges of the 21st century, the exit of the executive director from the organization has set that back, as well. What is known right now, is that while UWAC has very good penetration of its target market, it is unable to translate presence into revenues. Because the corporate workplace is the source of 70% of UWAC’s revenues, this stalemate has positioned the organization for continued mediocre performance. Despite copious discussion and a concerted effort to work harder within the existing framework, no solution to this impasse has been identified.

In some ways, UWAC’s success at breaking into the corporate world is now something of an obstacle. While the UWAC seeks a role more meaningful than fundraiser in order for its mission to better resonate with donors, it is constrained in what it can do and say by the awareness that it dare not alienate its primary customer, the business sector. One frustrated former Manager of Community Relations stated, “The United Way can’t be the nice middleman, allowing companies to feel clean and pristine in a world that’s falling apart”.

Interviews with key leaders in the Atlantic County community indicate that the commitment of community leaders and CEOs is the key to any charitable effort’s fundraising success. Again and again it was said that “You must know whom to talk with, in order to get things done”. And while there is a tradition of giving among the social elite and within some business organizations, the peer pressure does not exist among the business leadership in Atlantic City, as it does in some communities, that makes strong monetary support of the United Way the price of entry into the inner circles of power. Although the UWAC is well-regarded as a good way for businesses to help make the community stronger, it lacks the powerful champions who are difficult to say
no to and who are willing to make a concerted effort to move the organization toward the forefront of the charitable mindset in the community. And it does not appear as though this lack of advocacy will change any time soon.

The casinos, which are the largest industry in the area, have not taken a vigorous lead in philanthropic efforts. This gives some businesses the excuse not to do ‘their share’ and creates resentment in some of those that do. This does not mean that individual casino properties do not make serious, long-term commitments to certain nonprofit organizations. Nevertheless, much of the effort appears to be driven by the dedication of a specific individual who because of his or her belief in a particular nonprofit organization and by virtue of his or her position within the casino is able to make things happen. Should that individual leave the company, the infrastructure to maintain the initiative is unlikely to remain in place.

While each casino provides some philanthropic support to the community, there appears to be no active interest or personal participation by the properties’ owners in organizations or activities dedicated to the well being of the community. None of the casino properties are owned by a member of the local community, nor are their owners active in local philanthropic efforts.

Each casino runs a United Way campaign, but the interest and support shown by the organizations’ leaders varies greatly. And, as one would expect, this is reflected in the results of their campaigns. The churn in leadership of the casino properties has had a significant effect on the dollars raised. As is the pattern in other communities, corporate leaders are recruited to participate on the board and in other volunteer capacities to build commitment and understanding—with an eye toward increased support over time. The
staff and volunteers of UWAC have been frustrated time after time, when after nurturing a relationship for many months, they are forced to begin again when the casino executive exits from the organization and someone with whom there is no relationship takes his or her place. Even those casino executives who remain in the area struggle to find time to participate in meetings and events due to the press of their 24 x 7 business. Successful philanthropy requires time, and their dearth of availability affects the level of commitment possible.

The casino industry appears to be largely untouched by the strategic focus of the new philanthropy. This may well be because the self-interest, which stimulates so much of the ‘new’ philanthropic activity, is difficult to stimulate from the casino perspective. While casinos want to ensure a good reputation as the place for players to go to enjoy gambling and entertainment, good will brought on by philanthropic efforts is of little use to them. The majority of their customers (and many of their employees) do not live in Atlantic County and are unlikely to make their casino choice based on its philanthropic nature (unless that means big jackpots for players). For some properties, the definition of community primarily extends only a few square blocks beyond their property. In an attempt to make a lackluster fund-raising event more successful, a local nonprofit organization changed the event and the location—from the boardwalk near several casino properties to a few miles outside of Atlantic City. Although the organization lost the majority of its casino support, the event became a much more successful fund-raiser. Nonetheless, a good public image is useful to the casinos and certainly a consideration in efforts like the United Way campaign and other philanthropic activities.
What seems to apply quite well to certain philanthropic efforts within the casino industry is the stakeholder model described by Young & Burlingame (1996). In this framework, the goal of the organization is to manage the various stakeholders that affect it, and philanthropy is one of the tools available to do so. Casinos are unable to donate money to political campaigns, and yet like any organization, they would like support from their government representatives. Donating to a political figure’s pet charity is one way to make that happen. Acquiring the goodwill of their neighbors, who may be inconvenienced by construction or special events, is another opportunity to use philanthropy. Being able to say to employees that the organization is helping a school in a community where a group of them live is another use of philanthropy to satisfy stakeholders.

In the coming years, the casinos, which represent approximately half of UWAC’s campaign revenues, will be facing increased competition within their own industry and from other leisure industries struggling to get a greater percentage of their customers’ disposable income. If, as Drucker (1999) indicates, the leisure industry overall is mature or declining, managing expenses will be of primary focus for the casinos because they can no longer increase revenues significantly. One of the expenses at risk is the amount dedicated to philanthropic causes. As Useem (1987) discussed, the more competitive the environment, the less philanthropic investment an organization will make. In the current competitive environment, the casinos’ relationship with the UWAC could best be characterized as benign tolerance. But should the rivalry between casino properties heat up significantly, the limited attention UWAC is receiving could diminish considerably. While the possibility exists that a strong leader could enter the arena and stimulate the
gaming industry’s interest in increasing its support of UWAC, that is very much an unknown prospect. Until UWAC begins to benefit an important stakeholder of the casino industry, the outlook for large-scale gains is poor, at best.

Another cloud on the horizon is the chronic shortage of qualified workers that is currently a problem and very likely to worsen considerably as new properties open. This condition is likely to create a negative impact for UWAC in two ways. The jump in employee turnover alluded to in the Rutgers Survey mentioned above will create tremendous tracking problems for UWAC. Currently, there is no common payroll system in place across casinos that can allow a pledge to be collected if the employee leaves one property and goes to another (and no interest in creating one—despite ongoing requests from UWAC). Unless that employee is ‘campaigned’ at the new location, which will be highly unlikely given the amount of churn expected, those dollars will be lost. As the percentage of uncollectible pledges increases, there will be a negative impact on all donors. In addition to having campaign costs and overhead costs applied to their pledge, they will now discover that the dollars they pledged have again been reduced because of the uncollectible donations.

The casino workforce is also a diverse workforce. Although the Black United Fund, and other non-United Way federated fund-raising campaigns, have tried for many years to enter the Atlantic County market, particularly the casinos, senior management has refused their requests. However, in an environment where workers are at a premium, an historical relationship with United Way (and the preference for the simplicity of one workplace campaign) may well need to be sacrificed in order to maintain employee satisfaction.
The truly successful charities in Atlantic County are those that have the involvement and backing of the social elite. The board of UWAC, which at one time had representation from that group, is now largely unable to attract their active interest. And while many of the wealthy own businesses that run United Way campaigns for their employees, several have their own private foundations, which receive the greatest benefit of their largesse. While some of the elite lend a presence to fund-raising opportunities for UWAC, many of them support much more actively events that benefit other charitable organizations. This group, unlike the casino leadership, is stable with easily identifiable opportunities to accommodate their self-interest. Yet, UWAC does not resonate with them sufficiently to attract their active support. Based on Odendahl's research (1989) which shows that the wealthy tend to fund organizations that benefit the upper class, it is unlikely that UWAC will be able to alter this arms length interest and participation significantly. The beneficiaries of programs funded by UWAC are rarely the wealthy.

Also with little visibility in the ranks of volunteer leadership of UWAC is the rapidly growing community of small businesses. The research cited in Burlingame & Frischkoff (1996) shows that small businesses, overall, give more as a percentage of profits than large businesses. They are focused on the local community because they rely on its healthy state in order to continue their prosperity. Despite this, the UWAC's nominating committee for the most recent board of trustees was unable to raise even one nomination for a member from the small business community. While there is recognition within UWAC that this is an untapped opportunity, the difficulty in identifying appropriate candidates caused it to be tabled until 'next year'.
It remains to be seen how well the United Way would be received by that segment of the business community. Burlingame & Frishkoff, 1996 also indicated that the owners of these businesses are very involved in how the organization responds to charitable requests. While the UWAC can provide access to some key business leaders, which is always desirable for a small or medium-sized business, it lacks the relationship with small business owners that would cause them to choose UWAC over other, competing charitable requests. One small business owner said, "It's up to the local charities to create relationships with the local business owners. The others [absentee owners] are removed and remote unless they have a personal interest. We’re here, and we care.” The UWAC has failed to build these relationships, and operating within its current paradigm of focusing staff attention on large business, it is unlikely to be able to make this happen. This is consistent with the results of other United Ways. However, considering the growth in the small business sector, and the fact that 50% of all new businesses are based in the owner’s home (Home based businesses now half of all small companies, 1999), there are certainly many opportunities for which the UWAC is unprepared.

UWAC is much more in its element interacting with the more traditional large businesses. The strongly held (and not unreasonable) belief is that by focusing its limited resources on organizations with large headcount, UWAC increases its productivity and the potential for generating revenues. These mainstream corporations have an ongoing relationship with the United Way, and much of the leadership has gone through the United Way ‘training’ experience—beginning with participation in their company’s annual campaign and often culminating with UWAC board membership. The CEOs’ and senior managers’ beliefs, which run the gamut from doing good is good business to the
responsibility businesses have to give back to the community where their profits are made, are in line with what United Way traditionally has represented. These leaders like the simplicity of one workplace campaign and feel comfortable with the United Way 'seal of approval' that signifies appropriate charitable choices.

However, these organizations have all been affected by the increasingly competitive environment of the past ten years. They have become leaner and more productive, and as a part of this process, they have begun to look for more from their philanthropic efforts. The new philanthropy with its focus on short-term, measurable returns is beginning to emerge in this segment of the business community. In order to respond to this trend, UWAC has required that its agencies begin to integrate clearly articulated program outcome expectations into their requests for allocations (rather than simply describing the community need or their agency's efforts). While it is certainly important to these corporations that the nonprofit agencies receiving their dollars are achieving meaningful goals, this does not move their business interests forward. At a certain level, the opportunity for enhanced reputation (the most basic form of self-interest) is lost when the United Way receives the primary recognition for the company's community support. While this has not been expressed as a major issue, there has been a great deal of emphasis by UWAC to ensure that sufficient recognition is given to contributing organizations and their leaders. It is unclear how quickly (or even if) this attitude will take root and significantly affect the philanthropy of the large businesses, but as the current group of business leaders moves into retirement in the next ten years, there could be increasing calls for change.
There have also been mergers and acquisitions that have affected the corporate community in Atlantic County. Particularly when the local company was a headquarters, there is a significant loss of revenue for UWAC—despite the custom, at least initially, for the new owner to make reasonable accommodation for what has been lost. Over time, however, there is less of an interest in making the former headquarters community whole. Although the trend toward globalization may be causing philanthropic activity to move outside the corporate headquarters locations, in Atlantic County those organizations headquartered there still provide a level of philanthropy that will be missed if the headquarters is relocated.

The new social, demographic and political realities discussed by Peter Drucker (1999) and Thomas L. Friedman (1999) will undoubtedly have an impact on the business community in Atlantic County. And there will be an inevitable ripple effect on corporate philanthropy. As Peter Drucker (1999) stated, “It is futile...to try to ignore the changes and to pretend that tomorrow will be like yesterday, only more so. This, however, is the position that existing institutions tend to adopt in such a period—businesses as well as nonbusinesses (p. 93).

While the decreasing pool of young workers is not anticipated to significantly affect the United States for 10-15 years (Drucker, 1999), the Atlantic County market is already struggling to find sufficient qualified workers. The actions organizations are likely to take to address the worker shortage will have an impact UWAC. As was stated earlier, organizations will have less leverage to restrict the workplace campaign to United Way only. Given the competitive environment, management will not want to distract their employees with a prolonged debate about whether to allow other federated fund-
raising campaigns into the workplace. Despite an historic relationship with UWAC, business conditions are likely to create an environment where change makes sense.

Organizations will also be likely to step outside the existing paradigms about how workers work. There will be increased accommodation for employees who may want to work at home or who want to work part-time. This would cause a disruption in the campaign process. Any change in the number of potential donors constrained to participate in the United Way campaign, is likely to reduce revenues.

If one looks back over the past ten years, the ways that organizations have changed would have been difficult to imagine prior to their occurrence. As we enter the 21st century, the rate and manner of changes that globalization and the Internet will create are impossible to predict. However, the trend of the world becoming smaller and for mergers and acquisitions to bring more companies under ‘one roof’ is unlikely to stall or reverse itself. In the recent past, this has impacted Atlantic County through the loss of business. In some cases, branches of businesses have been closed down due to streamlining within the organization. In other cases, acquisitions have removed company headquarters from the local area. For a variety of reasons, Atlantic County does not appear to be an environment to which traditional, large corporations are attracted.

As was indicated earlier, the primary industry in Atlantic County is tourism. The growth sectors in the area are the service industries that support those tourists. For UWAC, this is not a positive trend because retailers, restaurants, and other service businesses are not perceived by the organization (as it exists today) as good opportunities to grow its revenues. These organizations are, for the most part, uninterested in the traditional United Way campaign.
On the other hand, in order for the area to remain a tourist destination, some care must be taken by all stakeholders, including the business sector, to ensure its future viability. "Management's concern and management's responsibility are everything that affects the performance of the institution and its results—whether inside or outside, whether under the institution's control or totally beyond it (Drucker, 1999, p. 40). The continued deterioration of Atlantic City, with its high unemployment and areas of hard core poverty, are not conducive to the long-term benefit of the gaming industry or any other business. Perhaps the Internet will become the new gambling format, but until it does, the investment made in bricks and mortar in Atlantic City by the casinos will need to be protected. Thus, despite the competitive environment, or indeed, perhaps because of it, the business sector in Atlantic County will need to maintain an external awareness of the needs of the community.

**Recommendations**

Despite the significant changes in the business sector, nothing indicates that corporate philanthropy will disappear from the American scene. The discussion of strategic philanthropy appears to be (at least so far) largely an intellectual exercise to justify the continuation of behaviors and activities that have deep roots in American business. For every Amazon.com that supports the World Wildlife Federation because it carries out conservation projects along the real Amazon (Dundjerski, Hall & Marchetti, 1999), there are many other philanthropic efforts with no obvious direct benefit to the corporation (although the traditional indirect benefits of improving the community, educating the future workforce, etc., certainly tend to be present). Because there is such a personal component to corporate philanthropy, it will always be at the mercy of the
personalities and preferences within the organization until such time as research has drawn a more complete picture of what the actual ‘bang for the buck’ is.

In light of this, UWAC is presented with several significant challenges. For the past ten years, the organization has been in a stall. Revenues from the casinos, its largest source of revenue, are declining. Its low per capita and average gift amount indicate that UWAC’s current methods are not producing the desired results. Doing them harder, smarter and with more enthusiasm has created only the most modest of improvements. This suggests the definition of organizational insanity—doing things the way one has always done them, and expecting different results. If UWAC were to look to United Way of America for a solution, they would see only a reflection of their own focus on large businesses. One of United Way of America’s important areas of focus is on working with 150 large national corporations to help them find the most effective way to solicit donations (Hall, 1999). A key part of United Way of America’s strategy is implementing UWIN, the United Way Information Network. This technology would assist in raising funds in companies having multiple locations. Local United Ways fear that UWIN will hurt their own fund-raising efforts with these businesses, reducing their revenues and impact while increasing that of the United Way of America. Whether or not this will occur, at United Way of America there is definitely a focus on the large corporation, rather than the small or medium sized company.

While not in its death throes, the UWAC’s situation is a bit grim. With the exception of the most recent campaign year, the campaign is flat—and the campaign currently in progress is not proceeding as strongly as was anticipated. While market penetration among large businesses is good, its average gift amount is the lowest among
comparable United Ways. Research indicates that donors and potential donors do not understand the value UWAC provides to the community. There is continued churn in the leadership ranks of the casinos, and no powerful champion has been identified who can position the UWAC as an important stakeholder for this business segment. Leadership giving (+$1,000) is growing but at a much slower rate than comparable communities. New growth in the casino industry is bound to cause turnover in the employee ranks that will increase UWAC’s uncollectible pledges, negatively impacting the overall campaign. Local growth industries are primarily service industries that do not historically support the UWAC. The corporate sector is not growing, and in the past few years important contributing businesses have been lost to mergers and downsizings.

Unfortunately, there is no magic bullet that will solve these problems. The research described above has repeatedly indicated that corporate philanthropy is highly dependent on the perceived value of the nonprofit organization to the leadership of the company, particularly the CEO. In Atlantic County, the UWAC’s performance indicates less than a whole-hearted belief in the benefits of the organization. In the face this reality, now may well be the time for the organization to step outside the comfortable (albeit less than successful) status quo and reinvent itself—just as its corporate partners have had to do over the past few years.

The first step in the process is to address leadership. UWAC is currently without an executive director. Whomever is brought in should have several critical qualities, including: a vision of what UWAC can be and the ability to articulate it in a way that generates excitement and commitment; the knowledge and experience to know how to make the vision come to life; the interpersonal skills to create effective partnerships.
throughout the community; and the ability to step outside existing paradigms of what the United Way should be and create an organization for the future. Without the appropriate leadership, the organization is likely to stay in its rut and watch its market share slowly decline, while staff, volunteers and donors turn away in disappointment and the most vulnerable members of the community are left with even less support than they have today.

The UWAC’s board must shake off its torpor and roll up its sleeves to help the organization grow. How that growth will occur shall take some time to determine. A vigorous strategic planning process that is inclusive of many members of the community currently on the outside of the organization should provide much of the justification and motivation for change. Admittedly, strategic planning is not a ‘one-size-fits-all’ solution. However, without a plan that positions the organization for the longer-term (at least 3 years), there will be a strong tendency to implement knee jerk reactions to current conditions, rather than planning for the future. This is particularly true since it is absolutely certain that the change required to grow will be painful and some stakeholders will be alienated and angry as change (or even talk about change) occurs. It will require the skills of an excellent leader to keep the process on track.

While the UWAC cannot control absentee ownership or leadership turnover in the casino industry or the lack of growth in traditional business and manufacturing, it can focus some of its (admittedly limited) resources on creative and innovative ways to get its message out and understood in the community. Although unable to make large expenditures for an advertising campaign, these communication channels exist. What is critical is that the message being communicated is something that resonates within the
community. If done properly, that message should emerge from the strategic planning process.

There are likely to be opportunities identified that will improve the UWAC's current level of performance in the campaign process. But unless some extraordinary new methodology is discovered, the majority of existing resources should not be allocated to achieving what is likely to be only incremental improvement. Greater opportunities lie in being able to open up currently untapped markets, such as those in the small business community or with professionals who are not part of a workplace campaign. But as we have seen, this is not possible given the way the organization is positioned today.

If this effort is to achieve significantly improved results as measured by revenues, the reality of the UWAC as it is today cannot be used to limit what the organization will be tomorrow. This is the most important and critical recommendation. There are many possible outcomes of the reinvention of this organization. One potential model could have the UWAC become a funder of community grants, as did the United Way of Chicago. It froze base allocations while phasing in a grant system that distributed 10% of allocations to nonprofits that agreed to meet minimum membership standards over the period of the grant (Gronbjerg, 1993). But there are other possible futures as well. The driving force should be the model that will give the community the greatest benefit. By remaining in the hundred plus year old paradigm, the UWAC is satisfying a few basic corporate needs and maintaining its dominance of the workplace campaign. However, its results clearly show that these are not sufficient to allow it to grow and prosper in the future.
In the 21st century, UWAC needs to look, think and act differently. It needs to reinvent itself so that it can provide meaningful value to the community. Doing so will create resistance among some existing stakeholders. However, failure to do so will push the organization from its current stall into a slow and painful death. UWAC can not manage the future, no organization can. However, by taking meaningful action, it can create its own future.
Resources


United Way of Atlantic County, *Casino campaign analysis* (1999)


