

The state of corporate philanthropy: **A McKinsey Global Survey**



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Corporate philanthropy can help companies meet consumers' rising expectations of business's role in society, say respondents to a McKinsey global survey.

However, only about a fifth of all respondents say that philanthropic programs at their companies are meeting social goals and stakeholder expectations.

At these companies, philanthropy programs are more likely to address social and political issues relevant to the business, to be collaborative, and to meet any business goals companies have for them.

Another small group of respondents say they intend their philanthropic programs to go beyond enhancing company reputation by addressing concrete business goals, such as learning about potential new markets.

The state of corporate philanthropy: **A McKinsey Global Survey**

Consumers' growing expectations of companies make corporate philanthropy more important than ever. But many respondents to this survey say their companies aren't meeting social goals or stakeholder expectations very effectively. Companies that are doing well are taking a more strategic approach.

Corporate philanthropy can be an effective tool for companies that are trying to meet consumers' rising expectations of the role businesses should play in society, say respondents to a McKinsey global survey.¹ The survey also suggests, however, that companies aren't using that tool as well as they could. Executives doubt that their philanthropy programs fully meet their social goals or stakeholders' expectations for them.

About a fifth of the respondents say their corporate philanthropy programs are very or extremely effective at meeting social goals and stakeholder expectations. Their companies take a somewhat different approach than others do: their programs are more likely to address social and political trends relevant to the business and to be influenced by community and business needs. Executives at these companies expect their programs to become more global and say that efforts are

already more likely to involve collaboration with other companies. Finally, these companies are much likelier than others to say they are achieving any business goals they have set for their philanthropy programs in addition to social goals.

A small group of respondents say their companies are reaching beyond traditional corporate goals for philanthropy programs—such as enhancing the company's reputation or brand—to pursue more concrete business goals, such as gaining information on potential markets. Their approach to focusing the programs also differs from the approach at other companies.

¹ The McKinsey Quarterly conducted the survey in January 2007 and received responses from 721 executives around the world—74 percent of them CEOs or other C-level executives. The data are weighted to reflect the proportional representation of segments in the total population.

Why give?

Companies and consumers have long seen corporate philanthropy as a way for companies to benefit the communities where they are located—donating funds to local schools, hospitals, and orchestras, for example. In recent years, however, as society’s expectations of companies have risen² and as many companies have begun operating in more far-flung locations, they are expected to address a growing list of needs. Companies that 20 years ago were held accountable only for direct, contractually specified, or regulated consequences of their actions today find themselves held accountable for the consequences of their actions in areas as disparate as

offshoring, obesity, excessive consumer debt, environmental sustainability, and the governance of resource-rich, low-income nations. Although today’s expectations are wide-ranging, three-quarters of the executives who responded to this survey say corporate philanthropy is at least somewhat effective in meeting the expectations.

In addition to social goals, the vast majority of companies—nearly 90 percent—now seek business benefits from their philanthropy programs as well. When respondents were asked what business goals they try to reach through philanthropy, they most often say their goals include enhancing the corporate reputation

²See “Assessing the impact of societal issues: A McKinsey Global Survey,” November 2007; and “CEOs as public leaders: A McKinsey Survey,” January 2007, both available on mckinseyquarterly.com.

or brand (Exhibit 1). And some 80 percent of respondents say finding new business opportunities should have at least some role in determining which philanthropic programs to fund, compared with only 14 percent who say finding new business opportunities should have no weight.

It is notable, however, that some 30 percent of the responses to the question asking about business goals indicate that some companies are trying to reach very concrete

goals, such as building knowledge about potential new markets and informing areas of innovation. Respondents from companies with these goals are likelier than others to say business concerns should play a role in determining funding for philanthropic programs. Also, their philanthropic programs are much more likely to address at least some of the social and political issues relevant to their businesses; nearly two-thirds say they currently do, compared with just under half of all respondents.

Exhibit 1

Business goals

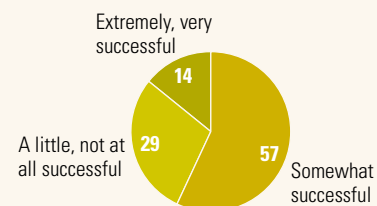
In addition to the social benefits of your company's corporate philanthropy programs, which, if any, of the following business goals does your company try to reach with those programs?

% of respondents,¹ n = 721



How successful have you been at achieving these goals?

% of respondents, n = 638



¹ Respondents could select more than 1 answer; those who answered "other" are not shown.

What matters, who matters, and where companies are giving instead

Executives overall say their companies are much likelier to address a broad mix of local issues with their corporate philanthropy programs than to address the social and political issues that

they expect will affect shareholder value the most (Exhibit 2). The mix of issues addressed varies across industries and regions, but the overall difference remains.

Exhibit 2, part 1

Top issues

% of respondents,¹ n = 721

Of the following social and political issues, which are likely to have the most impact, positive or negative, on shareholder value for companies in your industry over the next 5 years?

■ Top 3 issues	Total	Asia-Pacific	Europe	Developing markets	North America
Environmental issues, including climate change	46	59	53	47	36
Health care, other benefits for employees	27	9	15	17	48
Privacy, data security	24	21	22	15	31
Political influence and/or political involvement of companies	19	18	18	22	18
Demand for healthier or safer products	17	21	14	22	18
Workplace conditions, safety	17	24	20	22	9
Job losses from offshoring	14	14	16	10	15
Affordable cost of products for poor consumers	14	22	11	19	14
Demand for more ethically produced products	14	18	15	18	10
Pension, retirement benefits	13	5	18	7	13
Ethical standards for advertising, marketing	13	16	15	11	10
Demand for more investment in developing countries	11	16	10	18	8
Opposition to foreign investment and freer trade	10	10	9	10	10
High level of senior-executive pay, other compensation	10	6	10	10	10
Human-rights standards	8	7	7	14	6

¹ Respondents could select more than 1 answer; those who answered “other” or “don’t know” are not shown.

Exhibit 2, part 2

Top issues

% of respondents,¹ n = 721

Which, if any, of the following issues are you currently addressing with your corporate philanthropy programs?

■ Top 3 issues	Total	Asia-Pacific	Europe	Developing markets	North America
Education	75	75	66	75	83
Community	58	61	53	56	63
Economic development	52	49	48	61	54
Environment	52	59	55	66	41
Civic, public affairs	51	52	47	59	52
Health, social services	48	42	47	52	49
Culture, arts	47	42	46	54	46

¹ Respondents could select more than 1 answer; those who answered “other” or “don’t know” are not shown.

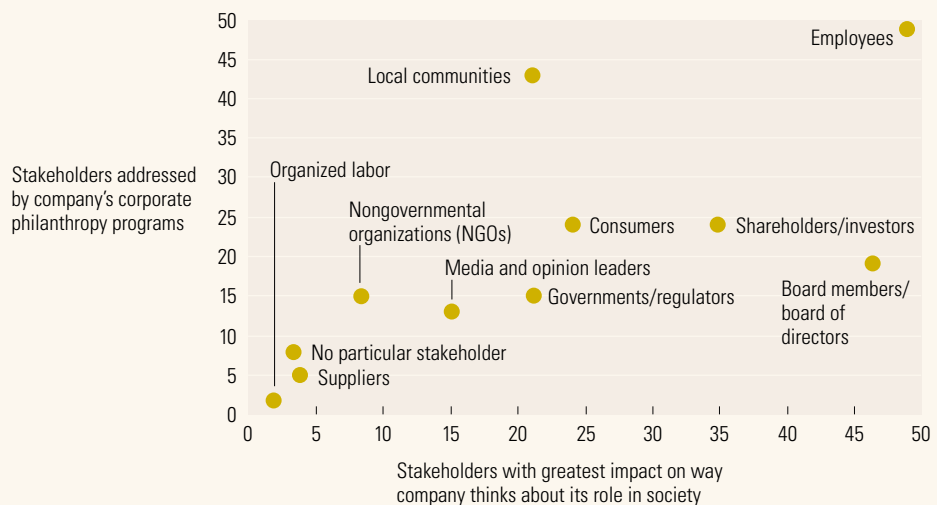
One explanation may involve the interests of employees. Respondents most often cite this stakeholder group as important in the way their companies think about their roles in society and as the group companies most often address with corporate philanthropy programs (Exhibit 3). Further, companies may be meeting other business needs with the programs they fund. The business goals most often cited—enhancing the company’s reputation or brand, building employee capabilities, and

improving employee recruitment and retention—are the ones most related to employees and to local communities (ranked second among the stakeholder groups addressed most often). In addition, interviews conducted as part of our research into philanthropy³ suggest that companies see addressing local community needs as an indirect way to highlight a company’s good intentions to groups such as board members, shareholders, and regulators.

Exhibit 3

Employee-driven philanthropy

● % of respondents who selected stakeholder for given category,¹ n = 721



¹ Respondents could select more than 1 answer; those who answered “other” or “don’t know” are not shown.

³ Interviews were conducted with 21 CEOs from around the world between December 2007 and February 2008.

Similarly, addressing social and political trends and other business needs is not notably important when companies consider which programs to fund. Respondents are far less likely to cite factors such as alignment with business needs, stakeholder interests, and even the ability to leverage the companies' existing capabilities or assets than they are to say they base choices on employee interests and the personal interests of CEOs and board members (Exhibit 4). It is particularly notable, given

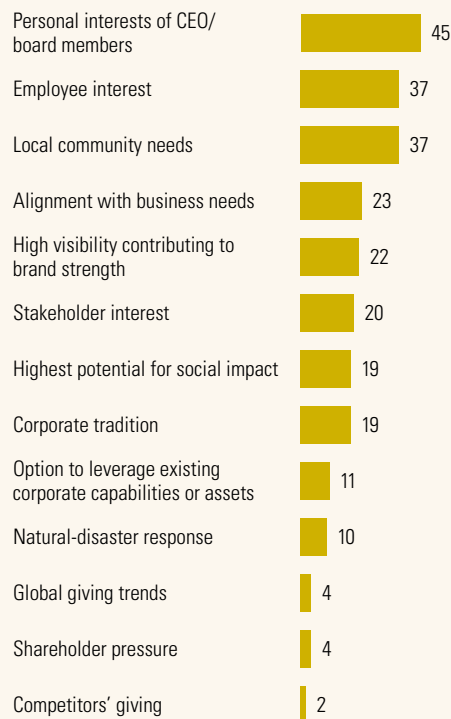
the importance of branding as a business goal, that only 22 percent of respondents say that visibility leading to brand strength plays a role in determining the focus of their programs. Respondents at companies whose philanthropy programs include concrete business goals, in contrast, are nearly twice as likely as the full group of respondents to say they consider alignment with business needs when focusing their programs.

Exhibit 4

Defining factors

% of respondents,¹ n = 721

Which 3 of the following considerations, if any, have the most weight in determining the focus of your corporate philanthropy programs?



In what areas of corporate philanthropy is the CEO involved?



¹ Respondents could select more than 1 answer; those who answered "other" or "don't know" are not shown.

What effective companies do differently

Whatever the business goals of their philanthropy programs, more than 80 percent of respondents say they are at best only somewhat successful at meeting them. Respondents are slightly more positive about how well their philanthropy efforts meet social goals or stakeholder expectations (Exhibit 5). Further, while just over half of the respondents say their stakeholders give their companies the credit they deserve for their philanthropic programs, one out of four don't know the answer to that question.

Still, roughly one-fifth of respondents say their companies are very or extremely effective at meeting social goals, addressing stakeholder interests, or both. These executives are also much likelier to say stakeholders are giving their companies the credit they deserve (some three-quarters say so). Yet these companies aren't addressing a different mix of issues than others, and they, too, are more likely to address the local community with their philanthropic efforts than the community's importance as a stakeholder would seem to warrant.

Exhibit 5

Dubious about effectiveness

% of respondents, n = 721

To what extent...

...are your corporate philanthropy programs effective overall in meeting their social goals?

...are your corporate philanthropy programs effective overall at addressing the concerns of your preferred stakeholders?

	Extremely, very effective	Somewhat effective	Slightly, not at all effective	Don't know
...are your corporate philanthropy programs effective overall in meeting their social goals?	20	47	23	10
...are your corporate philanthropy programs effective overall at addressing the concerns of your preferred stakeholders?	19	48	25	8

Where these companies differ is in how much more they align their philanthropic programs with the social and political trends that are most relevant to their businesses: 71 percent say their companies are addressing some or all of the relevant trends, compared with 53 percent of respondents who rate their programs as less effective. These effective companies are also likelier to consider local

community needs (47 percent compared with 38 percent) and alignment with business objectives (31 percent compared with 23 percent) when they decide how to focus their corporate philanthropy programs. And they are much more likely to collaborate with other companies on philanthropic programs and to believe that their programs will become increasingly global (Exhibit 6).

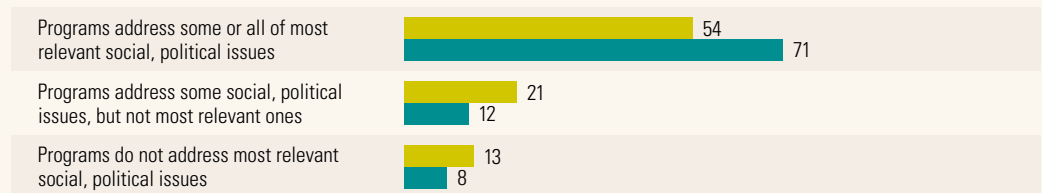
Exhibit 6, part 1

Somewhat relevant

% of respondents¹

- Overall, n = 721
- Respondents who consider their corporate philanthropy programs very/extremely effective at addressing stakeholder concerns, meeting social goals, n = 100

Do your company's corporate philanthropy programs address the global social and political issues that are most relevant to the company's business?



¹ Respondents who answered "don't know" are not shown.

Exhibit 6, part 2

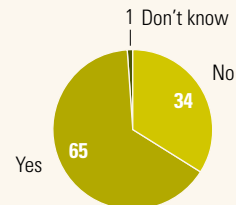
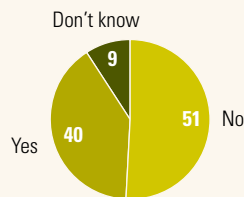
Somewhat relevant

% of respondents

Do you expect your company's corporate philanthropy programs to become increasingly global, either by trying to affect global issues or by operating in a larger number of countries, over the next 5 years?

Overall, n = 721

Respondents who consider their company's philanthropy programs very/extremely effective at addressing stakeholder concerns, meeting social goals, n = 100



■ Overall
■ Respondents who consider their corporate philanthropy programs very/extremely effective at addressing stakeholder concerns, meeting social goals

If no, why?¹



If yes, why?¹



¹ Respondents who consider their company's corporate philanthropy programs very/extremely effective at addressing stakeholder concerns, meeting social goals are not shown, because base is too small to be statistically significant.



Contributors to the development and analysis of this survey include **Sheila Bonini**, a consultant in McKinsey's Silicon Valley office; and **Stéphanie Chênevert**, a consultant in the Seattle office. Copyright © 2008 McKinsey & Company.

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