

Corporate Giving

**BDO Dunwoody CEO/Business Leader Poll
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1.0 Introduction

Sir Winston Churchill once wrote, “We make a living by what we get, we make a life by what we give.” Canada’s business leaders imbue this sentiment in their responses to this week’s survey on corporate philanthropy. Helping their community is the number one driver of giving, according to CEOs and business leaders. Generating publicity and increasing staff morale are seen as middling motivators for inducing charity. Meanwhile competing with other businesses to see who can give more is not a motivating factor.

When COMPAS explored the theme of corporate giving a year ago, the data then showed that corporate charitable giving strengthened employee morale. A similar pattern emerged this time, though perhaps not quite so strongly.

CEOs and business leaders feel strongly that charitable giving should not be prescribed for employees. As an owner of a consulting group said, “When charitable giving becomes mandatory, it becomes a tax not a choice.” Respondents strongly oppose mandating staff to give to charity, as was proposed by the CN rail workers union in the current strike negotiations. Respondents have mixed feelings about the issue of matching staff donations, as seen during recent disaster charity campaigns (i.e. Tsunami and Katrina relief).

These are the key findings from the current web-survey of the panel of CEOs and business leaders undertaken for the *Financial Post* under sponsorship of BDO Dunwoody LLP.



2.0 “The charity that hastens to proclaim its good deeds, ceases to be charity, and is only pride and ostentation.”¹

Pure philanthropy is by far the strongest motivator for business to give to charity. More than three-quarters of Canada’s business leaders (78%) say business donates to charity to help the community, as shown in table 1. No other motivator receives comparable favor.

Table 1: [Q1] So far as you know, how much does each of the following motivate businesses to donate to charity? Please use a 5 point scale where 5 means strong motivator and 1, the opposite.

RANDOMIZE

	MEAN	5	4	3	2	1	DNK
Help their community	4.1	36	42	17	4	1	0
Generate general publicity about their philanthropy	3.4	15	36	30	11	8	1
Increase staff morale	3.3	8	37	35	12	6	2
Attract new customers who sympathize with a certain cause	2.9	6	30	27	23	13	2
Reduce tax burden	2.8	11	21	30	16	21	1
Compete with other businesses to see who can give more	2.1	2	8	22	29	39	2

Respondents were asked to rate a series of possible motivators for business to donate to charity. Donating to charity to earn publicity is a distant second consideration with about half of respondents assigning a score of four or better, for a mean score of 3.4 on the 5 point scale. Similarly, increasing staff morale receives a mean score of 3.3, with 45% of respondents assigning a mean score of 4 or better. Business leaders strongly disagree with the idea that

¹ 19th Century British Author William Hutton.



business would be motivated to give to charity out of a rivalry with the competition.

Table 2: [Q2] How would you score the following reasons favouring companies giving more to charities. On a 5 point agreement scale, where 5 means agree strongly and 1, disagree strongly. [RANDOMIZE]

	MEAN	5	4	3	2	1	DNK
Companies should give to charity as a way of paying back society							
February 2007	3.4	19	35	25	9	12	0
May 2006	3.3	17	29	30	10	13	1
Governments are stretched too thin to handle all of society's obligations, and corporations should help							
February 2007	2.7	8	22	28	19	24	0
May 2006	3.0	16	23	23	16	22	0
In the modern era, profitable organizations should be obliged to share their wealth with the less fortunate							
February 2007	2.5	10	15	23	25	28	0
May 2006	2.6	11	16	23	23	27	0

From year to year, business leaders remain fairly constant in their attitudes about why business should give to charity, as illustrated in table 2. This year, like last, the main reason why business should give to charity is to pay back society. This year, just over half of those asked (54%) agree that companies should give to charity as a way of paying back society (assigning a score of 4 or better on a 5 point scale). Business does not see its role as one of subsidizing Government. As one respondent said,

The best example of effective corporate philanthropy can be found in Warren Buffet's recent transfer of wealth to the Gates foundation. Buffet was playing with his own money, not the capital of other shareholders, and always hewed to the concept that he had a better prospect of growing wealth



in his life than the contemporaneous alternatives. The notion that corporations should step in to backstop "strapped" governments, particularly in this highly-taxed-cradle-to-grave environment, borders on hilarious. Here's a clue...they can clean up the egregious waste in their own backyard before they start out on a mission to wring the neck of the hamstrung goose that tries to lay a copper egg.

In addition to asking panelists to assess reasons for business to give, we also asked them to assess reasons why business should not. Few panelists believe that public companies should not give because the money belongs to shareholders. Most respondents do not see as compelling the argument that "it is improper for public companies to give away money that belongs to shareholders and not management," as shown in table 3. A minority nonetheless feels strongly:

I believe that PUBLIC companies should NOT give anything to charity as a "gift". If they can justify it as a promotion or similar means of improving shareholder value, fine, but the executives have no business giving away shareholder value. On the other hand PRIVATE companies can/could/should do whatever the owners want. If it includes charitable giving then fine. On a simplistic basis, I would say ban 100% of all corporate giving for both private and public companies and only INDIVIDUALS should be issued income tax receipts for donations.

Profitability is key and charitable giving should only happen if returns to shareholders are above average for the industry group.



Table 3: [Q3] How would you score the following reasons opposing companies giving more to charities. On a 5 point agreement scale, where 5 means agree strongly and 1, disagree strongly. [RANDOMIZE]

	MEAN	5	4	3	2	1	DNK
Canadian companies are heavily taxed and have little ability left to give to charity							
February 2007	2.8	14	17	24	24	21	0
May 2006	3.1	18	24	27	19	13	0
It is improper for public companies to give away money that belongs to shareholders and not management							
February 2007	2.7	15	17	21	23	24	0
May 2006	3.0	17	19	21	28	14	1
When companies give to charity, it is a bit like eating the goose that makes the golden eggs. Companies should do what they know best how to do—make a profit and pay taxes							
February 2007	2.7	13	15	21	29	22	1
May 2006	2.8	13	19	23	28	16	2
Charities do not receive enough financial and accounting scrutiny to justify giving them more money							
February 2007	2.7	7	21	25	24	22	1
May 2006	2.6	7	13	32	26	20	3



3.0 Corporate Giving Enhances Staff Morale, But Effect May Be Weakening

Business leaders continue to believe that corporate giving strengthens staff morale but the effect may be in decline. As shown in table 4, 65% of respondents today say that such involvement will increase staff morale as opposed to 77% in May 2006.

Table 4: [Q4] In practice, do you find that companies' involvement with charities... [ROTATE POLLS]

	FEB 2007	MAY 2006
Greatly increases employee morale	8	16
Increases employee morale	57	61
Doesn't affect morale	31	20
Reduces employee morale	2	2
Greatly reduces employee morale	0	0
Don't know or no opinion	2	2

One President offered an example of how corporate charity had hurt staff morale:

Most of our employees are very charitable, but when we donated a substantial amount to charity, there was grumbling from some that "they sure could use that money". We now give far less directly to charity, but encourage employees to support charities of their choices and allow them to volunteer some of their time at work in the community.



4.0 Mandating Staff to Donate a No-go; Matching Staff Donations Receives Mixed Reviews

Respondents were asked about mandating charitable donations in light of recent news stories. Specifically, during the recent CN rail workers strike, the union sought a large pay increase for its members and offered in exchange that workers would be required to donate part of the increase to the Hospital for Sick Children. Canada's CEOs and business leaders feel strongly that staff should not be mandated to donate to charity, as shown in table 5. Further, some respondents said:

The idea of mandating employees to donate to a specific charity based on a labour negotiation (or the CEO's whims, etc.) is the greatest perversion of charitable goals I have run across. As one of the industries severely affected by the CN strike, I find it shocking that the negotiations are focussed on games like this, rather than attempting to resolve the labour dispute.

Employees should be encouraged, not mandated, AND the company should lead by example which MAY include matching programs

When charitable giving becomes mandatory, it becomes a tax not a choice. Speaking as someone who gives, I would not like to be told to whom I should give. Also, as an employer, I would not like to be forced to match a donation to a charity which I do not support, or for that matter be forced to match employees' donations period. What's next, someone preparing our grocery lists in the guise of supporting certain agricultural initiatives? In case someone is forgetting, even God/Jesus gives us a choice to accept or reject him. Please let our charitable giving remain a personal choice.



Table 5: [Q5] As you may know, the union representing CN rail workers and conductors is on strike. During the negotiations they sought a large pay increase and in exchange workers would be required to donate part of it to the Hospital for Sick Children.

Which of the following opinions is closest to your own?

RANDOMIZE

	%
Staff should never be mandated to give to charity	44
Staff should be encouraged to give to charity, but not mandated	41
Companies should lead by example in giving to charity	13
Staff should be mandated to give to the charity of their choice	1
Don't know or no opinion	2

Respondents were asked to what extent they agreed with the practice of employers matching employee donations using a 5-point agreement scale. On balance, respondents are somewhat favorable to the idea, as shown in table 6. In practice, 43% of respondents agree with donation matching (4+5 scores), 31% were in the middle, while 25% (1+2 scores) opposed the idea.

One respondent, a President of both a services firm and charitable organization, said, "Being on both sides of the fence in this matter, an employer and the President of a charitable organization, I think companies should donate to charity but the amount, the frequency, and the controls they put on that donation are entirely up to the company; it is after all their and their shareholders' money."



Table 6: [Q6] There's been some talk in the news about employers matching the donations their employees make to different charitable causes. Using a 5 point scale where 5 means strongly agree and 1, strongly disagree, to what extent do you agree with the practice of employers matching employee donations?

MEAN	5	4	3	2	1	DNK
3.2	19	24	31	11	14	2

5.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted February 14 – 16, 2007. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 131 are deemed accurate to within approximately 8.6 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.

