



The End of Philanthropy: A New Model for Globalization

Can social responsibility go hand in hand with profits? Can a corporation become a vital member of the global community? Its not as hard as we all might think.

BY MARC R. BENIOFF

In the new world economy, corporate CEOs must answer not only to shareholders, investors, and governments but also to the global community in which they operate. I recently joined 3,000 other CEOs at the World Economic Forum (WEF) in New York City to discuss globalization and its consequences on local economies, welfare, and the environment.

While few would dispute the economic benefits that large corporations bring to the international marketplace, there has yet to emerge a consensus on what it means for a corporation to be part of the global economy, what responsibilities this role brings with it, or the best way to fulfill those obligations. This uncertainty has bred suspicion among those on the receiving end of globalization and inspired fierce protests wherever the world's economic and financial leaders meet—opposition that often falls on deaf ears.

While 10,000 protesters lined the streets outside the WEF, presenter Zaki Laïdi, a senior research fellow at France's Centre d'Etudes et de Recherches Internationales, put the problem succinctly: "Globalization is not providing a collective purpose. There is a lack of tolerance for an alternative perspective."

Still, even the world's richest man can see the validity of the protests. Bill Gates, presenting at the WEF, said, "It's a healthy thing there are demonstrators in the streets.

We need a discussion about whether the rich world is giving back what it should in the developing world. I think there is a legitimate question whether we are." Gates has backed up his words by becoming the world's largest philanthropist since the inception of his corporation.

The question is: How can corporations move beyond isolated acts of philanthropy to integrate corporate responsibility more fully into the new global system?

The Disenfranchised Globalized Corporation

The protestors in New York, and attendees of the World Social Forum held concurrently in Porto Alegre, Brazil, feel that globalization is destroying the native cultures, economies, and environments of the poor, undeveloped, and unrepresented billions. Lacking mindfulness of the social and physical environment, globalization is fostering the creation of a new global consciousness based on capitalism alone. Sadly, this view is supported by many examples of corporations acting without a sense of corporate responsibility, from child labor and sweatshop practices to deforestation, job displacement, and relocation. In a business culture that values profits above all else, the typical globalized corporation is completely disenfranchised from the communities in which it operates.

No business should remain at odds with its community, whether that community is a small town or the entire world.



In previous generations of business, it was a different story. Local businesses served local communities, and their value stayed in the community. Profits were reinvested locally, and business owners heard and responded to local feedback. As corporations prospered and grew, stakeholders throughout the community—not merely the stockholders who owned the company—shared in the rise. The system was hardly perfect, but it was far more equitable than under today’s globalized corporations.

Consider Starbucks, a poster child for the rapidly expanding globalized brand—and a favorite target for protesters. As the company moves into new markets, it replaces local establishments owned by community stakeholders with corporate-owned stores staffed with minimum-wage workers. Profits and equity are returned to corporate headquarters, rather than to the local economy formerly supported by the businesses it has displaced. This has worked out well for the Seattle/Tacoma region, where Starbucks has been an active supporter of the arts, education, health care, and human rights; but what about the rest of the world that provides the revenue?

The End of Philanthropy

No business should remain at odds with its community, whether that community is a small town or the entire world. The questions facing today’s modern corporations are: How can we address the valid issues raised by the protesters while still doing business? How can we establish that the corporation is not disenfranchised from its community, but a vital member? How can we develop a model that integrates a commitment to all our stakeholders, not solely our shareholders? And how can we accomplish all this while preserving the concept and the economic benefits of a globalized corporation?

Businesses often turn to corporate philanthropy as a way to demonstrate their goodwill toward society while serving the greater good. During my last years of service at Oracle Corporation, I was asked to oversee the donation of \$100 million worth of computers to schools. The resulting program, Oracle’s Promise, placed computers and training in hundreds of schools worldwide in under two years. It was the success of this venture that led me to ask a fundamental question: “Is there a better way to leverage a global corporation’s assets for good than charity in a silo?”

The problem is that such acts of goodwill happen in isolation, separate from the forces that created them, and are the exception rather than the rule. What is needed is a new architecture for globalization developed with full awareness of the constraints of the current system—what *Fortune Magazine’s* David Kirkpatrick,

summarizing the work of a small group of social entrepreneurs and new-age corporate leaders, has called “the end of philanthropy.”

I often ask my peers in Silicon Valley, “What if Sequoia Capital, or a similar high-quality venture capital firm, required the companies it invested in to put one percent of their equity into a public charity serving the communities in which they do business?” The answer is that Cisco, Oracle, Yahoo, and other Silicon Valley companies would have built up one of the largest public charities in the world, amassing billions of dollars to help fund multi-dimensional solutions to the very problems the WEF protesters have cited. This simple idea points to a powerful new way to make doing good an integral part of doing business.

The Integrated Corporation

The integrated corporation creates value for its shareholders and its stakeholders alike. Its size and the location of its headquarters don’t dictate a centralized return of its value; rather, its value is fully distributed not only to its leadership, but to the communities in which it operates, and the global community as a whole. It is a new architecture for globalization.

The Move from Philanthropy to the Integrated Corporation

Past Model	Present Model	Future Model
Proprietors	Shareholders	Stakeholders
Local Supporters	Global Protestors	Corporate Advocates
Charities	Corporate Philanthropy	Integrated Corporation

Under this architecture, globalized corporations can leverage employees, equity, products, alliances, and relationships to support stakeholders in a way that smaller, local companies could not, demonstrating the company’s value to the community while turning protesters into advocates. But it will take leadership, creativity, innovation, and the investment of resources to make this vision a reality.

CEOs can look at their corporations and ask, “Where do I have the most leverage to serve?” Three areas come immediately to mind: corporate value, corporate time, and corporate profits. Accordingly, three models have emerged:



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But imagine: What if this had been done 25 years ago, upon Microsoft's founding, rather than at the culmination of a lifetime's achievement?

1. Place a percentage of corporate equity into a public charity.

When I launched salesforce.com, a company dedicated to delivering enterprise applications over the Internet, I also created salesforce.com/foundation, a 501(c)(3) public charity, independently financed, with the mission to bridge the digital divide in the communities salesforce.com serves. Alongside private funding sources, salesforce.com placed more than one percent of the new corporation's stock into this foundation. The dream has been that as the company grows, the foundation grows proportionately and is fully integrated into the company that powers it.

The foundation has built 17 technology centers in this country and 20 in other countries. It encourages employees to donate time to these projects, resulting so far in 1,700 hours of community service—well on the way to our goal of one percent of the company's time. The foundation has leveraged the corporation's relationships with global companies to provide many technical and social pieces beyond its own resources. Salesforce.com also provides its service without charge to over 50 charities, NGOs, and universities worldwide, accounting for approximately one percent of its users. The result is one of the most successful implementations of a foundation within a corporation.

The impact on employees and communities has enriched everyone involved. One staffer spends his Mondays at a salesforce.com/foundation technology lab, sharing his professional skills with the local youths he mentors. A volunteer from sales support gives time to a tutoring program, providing support, positive influence, and communication to an at-risk student. The vice president of product marketing works with adults with no previous computer experience, helping them add skills to land a new job or prepare marketing materials for their small businesses. Meanwhile, groups from the foundation centers regularly visit the salesforce.com offices for career days, with some even signing on as interns who help with everything from finance to marketing to sales. Providing a vehicle for volunteerism helps employees make community involvement a central part of their lives.

Salesforce.com/foundation's work seems insignificant compared to the Bill and Melinda Gates Foundation.

Gates's contribution of more than \$24 billion dollars of Microsoft stock gave his foundation the largest endowment in the world. Engaged in a highly focused effort to combat the developing world's most serious illnesses, the foundation is led by a top Microsoft lieutenant, Patty Stonesifer. The foundation represents one of the most significant acts ever from a captain of corporate industry, an inspiration for all entrepreneurs big and small.

Who would criticize this incredible act of charity? But imagine: What if this had been done 25 years ago, upon Microsoft's founding, rather than at the culmination of a lifetime's achievement? What if Gates also donated one percent of his company's time to the communities served, unleashing a true "Army of Compassion" of tens of thousands of smart, capable people around the world? What if Gates led the foundation from within Microsoft as a key corporate function? How could his company use its relationships with the world's largest corporations to advance other social causes? Why does the foundation's work have to be separate from the tangible and intangible assets of the corporation that generated its funds?

Is it too late to integrate the two?

2. Encourage a percentage of employee time to be used for community service.

Alan Hassenfeld attended the World Economic Forum to see how far corporations have come in doing social work. Hassenfeld, CEO of Habsro, has pioneered many concepts of the integrated corporation. One of his goals is to have one percent of corporate time available for service to local communities. His Team Hasbro program serves its communities with a corporate foundation and a mission to "make our community smile." He offers employees four hours of paid time-off per month to volunteer with children. They simply log onto the company's Web site, which is both a resource for employees and a posting site for nonprofit organizations to announce needs.

Timberland, one of the world's largest outdoor-apparel companies, provides another excellent example of volunteerism. In 1992, the company created the Path of Service program, dedicating 16 hours of paid service for each employee to work for their community. Just five years later, the program's success led it to be expanded



to 40 hours donated per employee. The fully integrated program has now grown to give more than 200,000 hours of service through more than 200 social service agencies in communities in 73 American cities spanning 30 states, as well as in 18 foreign countries.

3. Return a percentage of profits to the global communities served.

Ben and Jerry's has taken the idea of integrated service furthest of all, integrating philanthropy into its products, marketing, and human resource practices. Giving away 7.5 percent of its pre-tax earnings, Ben and Jerry's delivers funds in three ways: through the Ben & Jerry's Foundation (<http://www.benandjerrys.com/foundation/index.html>); through employee Community Action Teams at five Vermont sites; and through corporate grants made by the director of social mission development. No other company has such an explicit program for donating profits and time. The Foundation is managed by a nine-member employee board and considers proposals relating to children and families, disadvantaged groups, and the environment.

Merck is one of the most successful pharmaceutical companies in the world today, generating profits through proprietary designs on many of the world's most important drugs. Several years ago it decided to donate Mectizan, one of its premier products and the key to controlling river blindness, to African villages. Working with the World Health Organization, the World Bank, dozens of NGOs, and local ministries, Merck provides a valuable resource to more than 25 million people annually. This donation of a product and the profit that goes with it has a global impact on social health.

Research verifies time and again that companies can make a major difference with relatively small investments. In tandem with the United Nations, the world's salt manufacturers have made sure that all salt manufactured for human consumption contains iodine. As a result, more than 90 million newborn children every year are protected against iodine deficiency and thus against a major cause of mental retardation.

The True Goal

Through the development of an integrated corporation, those within the company will themselves be transformed. Former President Clinton said, "The only path through today's global problems is a higher consciousness." However, it is not enough to speak on it, pray on it, or write about it. We have to do the work and convert our rhetoric into practice.

Kofi Anan has said, "Those who have the power and means, governments and businesses, must show that economics, properly applied, and profits, wisely invested, can bring social benefits within reach not only for the few, but for the many, and eventually for all." Work done by Harvard Professor Jeffrey Sachs and his peers has shown that helping others through a corporate structure returns untold benefits. But it cannot be done for that reason alone. It has to be done because it is the right thing to do. It is our responsibility, not just our obligation.

While we will be able to measure the benefit of programs like these on society, we should also be conscious of the effects on the organizations involved. Employees seeking greater fulfillment in their lives need look no further than their workplace. Complaints of working only for the good of the corporation will be replaced by satisfaction with how their work has improved the world itself.

We are on the threshold of a new world. The horrific events of September 11, 2001, make it clear that we must listen to—not just act upon—the rest of the world. Are we creating a world where we can all participate in value creation and at the same time provide value to those who are serving us? We can come forward and use our hard-earned leadership skills for a higher purpose: to integrate our globalized companies into the systems of which we are already a part. ■

Marc R. Benioff founded salesforce.com in 1999 with a vision of catalyzing "the end of software." A 20-year software industry veteran, Benioff pioneered the concept using a simple Web site to deliver enterprise applications, demonstrating how Web services would render conventional enterprise software obsolete. He also founded salesforce.com/foundation (<http://www.salesforcefoundation.org>), a multi-million-dollar philanthropic initiative focused on bridging the digital divide. He has received the "Promise for Peace" award for his work in using information technology to foster the peace process and the "Bridge Award" for his work connecting underserved youth to the Internet.