

**Charitable Giving:
Divided Opinion about Corporate vs. Shareholder Responsibility
and Proper Corporate Practices;
Priority Should Go to Audited, Local, Child-oriented Charities**

**BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication February 8, 2010**



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1.0 Overview

Looking to the future when all three levels of government expect to be increasingly strapped for resources, COMPAS asked members of the business panel for their thoughts on corporate social responsibility.

Opinion is divided about whether public corporations should be making decisions about allocating money to charities or whether this is a responsibility that shareholders should be exercising themselves. The CEOs and business leaders on the COMPAS panel are also divided about whether listed companies should be encouraging employees to become involved.

Though opinion is divided about the proper role of the public corporation, a consensus does emerge on the types of charities that should get priority attention. These are above all charities

- with audit records to demonstrate their probity and efficiency,
- with local roots, and
- that focus on children.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

2.0 Corporate vs. Shareholder Responsibility

Panelists are divided about the proper corporate role, as shown in table 2. For example, 45% believe that charity is an individual shareholder's responsibility compared to 35% believing that this is a proper corporate responsibility. Business leaders and CEOs are also divided about whether



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public corporations should urge employees to give or should offer to match employees' own contributions.

On balance, if corporations do give, a plurality of respondents oppose giving only in ways that reinforce the company brand.

Table 2: (Q1) There's debate about the obligation or non-obligation of publicly listed corporations to charities. On a 7 point agreement scale where 7 means strongly agree and 1, the opposite, please score your agreement with each of the following opinions.

	MEAN	7	6	5	4	3	2	1	DNK
Public corporations should avoid spending on non-core purposes profits, which truly belong to the shareholders, and should leave it to shareholders to decide which charities should get support.	4.3	19	13	13	18	14	8	13	2
A democratic society must prevent too much power being concentrated in government, for which reason corporations need to do their part in contributing to charities.	4.2	11	17	17	20	7	12	12	5
Public corporations should urge employees to give.	4.1	13	13	19	20	9	12	13	1
Public corporations should offer to match employees' own contributions.	3.9	10	11	21	21	9	9	19	1



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	MEAN	7	6	5	4	3	2	1	DNK
Public corporations should give to charities but only in ways that strengthen the brand or otherwise benefit the company in some way.	3.7	10	8	13	22	19	12	16	1

3.0. Good Charities and Good Practices

Though opinion is divided about the proper role of the public corporation, a consensus does emerge on the types of charities that should get priority attention. These are above all charities with audit records to demonstrate their probity and efficiency, that have local roots, and that focus on children, as shown in table 3a.

Table 3a: (Q2) Suppose a highly profitable, privately held company wanted a strategy for giving. Suppose the Board Chair, a friend of yours, wanted advice about assigning importance to various criteria for choosing a charity. Please score the relative importance of each of the following criteria on a 7 point scale where 7 means it's a very good basis for choosing a charity and 1, the opposite.

	MEAN	7	6	5	4	3	2	1	DNK
Charities with audits that demonstrate efficiency and honesty	6.3	51	31	12	4	0	1	0	3
Local charities so that the local community can benefit	5.5	24	29	25	13	2	1	3	4



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	MEAN	7	6	5	4	3	2	1	DNK
Charities in Canada that focus on children because children are our future	5.2	17	21	31	18	6	3	0	5
Charities that work in disaster zones like earthquake-struck Haiti	4.9	12	21	29	26	4	5	1	5
Charities in Canada that serve people with disabilities because such individuals can face enormous challenges	4.7	8	16	32	24	9	5	1	5
Charities that support entrepreneurship in the developing countries	4.3	7	11	26	23	18	5	5	5
Charities that honour the company or its owners	3.3	6	5	14	17	16	16	20	5

Table 3b: (Q3) Which of these following practices would you think appropriate for a public corporation? PLEASE CHECK EACH THAT YOU FIND APPROPRIATE.¹

	%
Company fundraisers	63
Payroll deductions	51
Having employees do volunteer work during business hours	49
A staff meeting addressing the issue	45
Don't know or no opinion	10

¹ Total percentage column may not add to 100 percent because respondents were allowed to select more than one response to this question.



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In keeping with division of opinion about whether public corporations should be giving, panelists are also divided about proper practices for encouraging charitable giving, as shown in table 3b.

The following verbatims provide a nuanced sense of panel opinion:

The work of charities is laudable. However, they utilize the services of third parties to raise the monies for them, at a cost that takes away from the amounts raised. I have great concerns about the level of the dollars raised that go to the intended purpose and the amounts that are spent on advertising, raising funds and on overhead. I am also concerned about the actual use of the funds when it reaches those to whom it is intended. In my view, it is only charities that have demonstrated solid governance and a high ratio of funds raised and spent where they should be allowed to raise money. There are so many charities requesting funds, with businesses being inundated with requests that there is a developing apathy towards their efforts.

Companies should not do a type of emotional blackmail to get employees to give to the charity the company has chosen.

At the root of it all, it's probably a bad idea for a company to mix management's preferences with employee efforts. The workforce would likely be happier if the company supported their preferences.

Public corporations should leave it to the shareholders to give to charities. Governments should **ONLY** give to charities that demonstrate that the vast majority of funds go to the intended recipients - not the charity managers/fundraisers. Governments and charitable organizations should **ONLY** give to disaster relief **IF** they can be assured that the money/goods are going only to the victims, not the government/troops of the stricken country.

There is nothing wrong with companies formally aligning with community values that correspond to the company's



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business values. The parallel in government circles, is tied aid, which until recently was the firm basis for Canadian aid. It has since been uprooted by the NGO community and political activists demanding that our aid be 'free' - the view that I cannot demand that my tax dollars be used to donate Canadian goods was done almost in secret - I would like to know if other Canadian taxpayers agree.

As much as I feel for the disaster struck areas like Haiti, millions are still starving around the world. When a "new" disaster strikes people focus on that for a month or so then tire of it and lose interest. In order for real change to occur in developing countries the rich nations need to become meaningfully involved and not just pay lip service to giving. Human greed is what causes all the problems and not just the greed of the people in rich nations but also the local greed of the ones receiving the help.

Being a good corporate citizen means assisting those less fortunate as long as it is done in context with the entities' aims, objectives and employees' desires.

There's more demand and needs than there's discretionary cash. Despots have stolen billions in aid in third world countries. NGO's are generally more effective and efficient in placing first resources into the hands that need it. No one should have to go without clean water. The West have given billions over the years with little to show for it, as most of this has found it's way into Swiss banks. Baby Doc appears not to be suffering!

This is a difficult business issue because the charities picked may speak volumes to the staff and clients about the mind set of senior management and the overall culture of the company.

Businesses need to focus beyond charities. There are dozens of registered not-for-profit organizations that are more than worthy of support.



Shareholders and employees should make their own choices.

4.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted February 1 - 2, 2009. 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 n=113 are deemed accurate to within approximate 9.3 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

