SECOND PRIZE

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As Andrea Tilman packed up for the day, she realized she had just one week left to finalize her recommendations for Optix U.S.A.'s new corporate philanthropy program. In February 1998, just one month ago, the CEO appointed Tilman as the new vice president of Corporate Communications with high hopes that she would be a key player in revitalizing employee morale and the image of the organization, particularly in the United States and Canada. Tilman had been with the company for five years, including a stint at Optix Worldwide's headquarters in Japan, and was well aware of the importance of this initiative and the complexity of the decisions she would have to make in the coming week. Not only did this corporate communications' initiative involve rebuilding the Optix U.S.A.'s corporate philanthropy program, but it also involved aligning Optix Worldwide's *kyosei* corporate philosophy with Optix U.S.A.'s corporate identity and strategy.

Company Background

Optix U.S.A., headquartered in upstate New York, was a multi-billion dollar industry leader in professional and consumer imaging equipment and information systems. Optix U.S.A. operations were supported by five product categories: Office Imaging Products, Computer Peripherals Products, Business Systems, Cameras, and Optical Products, with the first three grouped under Business Machines. **Exhibit 1** presents examples of the kinds of products offered in each category, whereas **Exhibit 2** presents sales by product category. About half ($12.1 billion) of Optix U.S.A.'s sales came from its Computer Peripherals category (including printers and scanners), but the vast majority of this category's sales came from "consumables" such as toner.

Optix Worldwide had operations around the world including the Americas, Europe, the Middle East, Africa, Asia, and

Exhibit 1
OPTIX CORPORATION
Product Category Descriptions

Major Products	**Business Machines**	Copying Machines	Full-color Copying Machines Office Copying Machines Personal Copying Machines Consumables, etc.
		Computer Peripherals	Laser Beam Printers Bubble Jet Printers Image Scanners Consumables, etc.
		Business Systems	Facsimile Machines Handy Terminals Micrographics Personal Info Equipment
	Cameras		Single Lens Reflex Cameras Compact Cameras Digital Cameras Video Camcorders LCD Projectors Lenses, etc
	Optical & Other Products		Semiconductor Production equipment Medical equipment Broadcasting equipment

Oceania (Australia and New Zealand). Each division of the company created new value and provided solutions that matched the needs of its respective region in product development, manufacturing, and sales. Optix U.S.A. actually included not only the United States, but Canada, Mexico, Central and South America, and the Caribbean. At least three-quarters of Optix U.S.A.'s 11,000 people and 30 facilities, however, were based in the United States. Besides the New York headquarters, regional offices spanned the United States, including Atlanta, Chicago, Dallas, Los Angeles, San Jose, Honolulu, Newark, and Washington, DC. Other facilities included research and development, manufacturing, and sales and marketing groups.

In 1995, in the midst of Japan's economic collapse, Hiro Nagasaki became president of the parent company, Optix Worldwide. Nagasaki faced a very difficult operating environment characterized by financial instability, a prolonged domestic recession, and volatile currency fluctuations. In January 1996, he announced his first initiative, the Excellent Global Corporation Plan, designed to stabilize the company by focusing on the principle of *kyosei.* According to the Optix Worldwide's Web site, the corporate philosophy of *kyosei* meant;

> "Living and working together for the common good," while a more detailed version would be "all people, regardless of race, religion or culture, harmoniously living and working together for many years to come." Unfortunately, the presence of imbalance in our world — in areas such as trade, income levels and the environment — hinder the achievement of *kyosei.* Addressing these imbalances is our mission for the future. True global companies should establish good relations, not only with their customers and the communities in which they operate but also with nations, the environment and the natural world. They must also bear the responsibility for their activities on society. Our goal is to contribute to the prosperity of the world and the happiness of humanity, which will lead to continuing growth and bringing the world closer to achieving *kyosei.*

The five-year plan focused on 1996–2000 in which each division was to strive for excellence. The plan's objectives ranged from the inspirational ideals to implemental tasks. The company's declared objective, "to work on the basis of *kyosei,* continuing to contribute to the future through technology and becoming a corporate group that is esteemed throughout the world," married corporate philosophy, strategy, and reputation at the highest level. Further elaborated, this meant pursuing value-added business and technical endeavors, further expanding globalization of operations, fostering a corporate spirit in which individual employees were encouraged to use their passion and creativity to spur dynamic growth, and encouraging social kinship as a good corporate citizen to contribute to regional and environmental prosperity.

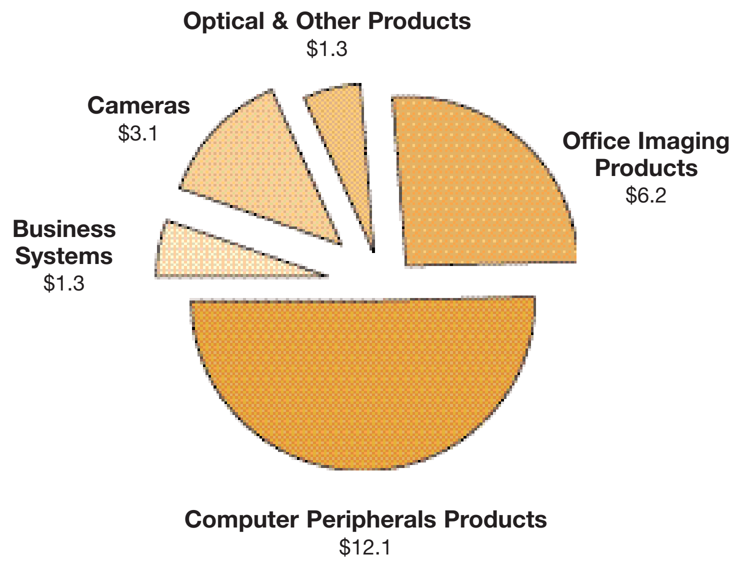
Consequently, Optix promoted innovation throughout the organization with the aim of improving speed and quality. Senior management awarded high priority to expansion of current businesses, research and development for multimedia devices, re-engineering of all business processes from product design to production, distribution and

Exhibit 2

OPTIX CORPORATION

1997 Optix Sales by Product Category

(Billions of Dollars)



procurement, greater attention to environmental issues, and support for the communities in which Optix operated. Under a policy of management renewal in a time of economic recession, Optix reassessed unprofitable businesses, streamlined operations, and targeted the selectivity and concentration of managerial resources, enabling the company to restore its balance sheets, restructure its financial foundations, and strengthen its corporate constitution.

History of Corporate Contributions

The first companies in the United States known to use contributions as part of their business strategy were the railroads in the early 1890s. Recognizing that many of their passengers and employees needed clean, comfortable, and inexpensive places to stay overnight, the railroads made contributions supporting various YMCAs located in key crossroad communities. The railroads provided about 60 percent of the Ys' operating budgets, while passenger and employee rentals supplied the remaining 40 percent. [1] This early use of company contributions served two important stakeholder groups: customers and employees. The railroads prospered as extensive train travel grew, giving rise to a third group, investors, who benefited as the contributions made longer, more expensive (and thus more profitable) journeys possible.

Over the years, corporate contributions philosophy broadened considerably. Prior to WWII, most company giving programs were the private vision of the CEO and/or a handful of senior executives. In the 1950s, however, contribution programs began to take on a new look. Large corporations such as the Ford Motor Company and General Electric began to establish foundations and matching gift programs that helped to boost employee morale and build good feelings about working for an organization that supported the causes chosen by their employees. AT&T took a different approach and began to focus on helping the communities it served, arguing that the company would also benefit, because as the communities grew and prospered, so would the company.

In the mid-1970s, specific targeting of contributions to aid a particular aspect of a corporation's interests became popular. General Motors, for example, wanted to improve its management recruiting efforts on college campuses and therefore decided to concentrate its educational giving on the 13 business schools and 14 engineering schools it deemed crucial to its own future. [2]

In the 1980s, the federal government began shifting the burden of support for many social activities back to local communities. Enlightened companies recognized that communities and individuals couldn't take on the increased burden by themselves, so firms began to increase their efforts to help. Those companies that increased their contributions won the plaudits of the public and of government officials.

In the 1990s, most companies became more "customer focused." This meant a greater emphasis on marketing activities and development of the customer base either by increasing market share, increasing unit volume, or launching new products. This expansion of the customer base was sometimes accomplished through internal growth, but also increasingly through mergers and acquisitions. As these mergers occurred, companies increasingly tried to better "position" their images and products. Many corporate contribution programs therefore shifted focus to earning customer goodwill. For example, McDonald's established Ronald McDonald Houses (comfortable guest houses located near major children's hospitals), which helped McDonald's become an icon for children everywhere as a symbol of care and concern.

In 1997, corporate philanthropy was the fastest-growing form of philanthropy in the United States. U.S. corporations gave about $7.4 billion annually, which was just about even with the amount given by all private foundations. When non-cash items were included, corporate philanthropy was by far the largest source of income for nonprofits. [3]

Role of Corporate Contributions at Optix

When Tilman began as the new vice president of Corporate Communications, it was evident that the U.S. division of Optix had no clear corporate contribution guidelines established. In 1997, Optix donated a total of $6.7 million to almost 700 different 501(c)(3) organizations [4], resulting in an average donation of only $9,600. Optix funded 50 major national organizations supporting causes related to the environment, education, health and human services, hunger, and international relief. Optix also funded over 600 regional programs, although both the employees and the community were largely unaware of the giving programs in place. There was no volunteer program for employees. In addition to an unfocused giving program, no one had measured the internal or external ROI of these contributions.

In 1990, Optix instituted the Clean Earth Campaign, which supported various environmental and recycling initiatives. This was the only consistent element of Optix's corporate contributions program. The campaign collected more than 25 million toner cartridges for recycling and reuse as part of its "recycling in the workplace" effort from its inception through 1997. The Clean Earth Campaign also supported leading environmental organizations and initiatives including The Nature Conservancy, the National Park Foundation, and the National Wildlife Federation.

In addition to its current corporate philanthropy program, Optix reached key consumer groups through sponsorships and event marketing. For example, since 1992, Optix had sponsored the Optix Charity Championship Golf Tournament held each spring in White Plains, NY. In 1995, Optix also became a sponsor of the Meadowlands stadium. This sponsorship included signage that was displayed in the stadium year-round for all athletic games and concerts as well as advertising space in the official programs for those events.

Building a New Corporate Philanthropy Program

Tilman had done a great deal of research on various corporate philanthropy programs over the past month and came to the conclusion that there were basically three main courses of action she could take, each of which posed various pros and cons:

(1) Continue the existing contributions program,
(2) Establish a foundation or contribute to a "pass-through" foundation, or
(3) Develop a mission-based program unique to Optix.

Continue the existing contributions program

Through her initial research, Tilman learned that most companies tended to divide their contributions budgets among five traditional categories established by the Council of Foundations: [5]

- United Way
- Health and Human Services
- Civic and Community Activities
- Education
- Arts and Culture

Tilman realized that Optix was already involved in each of these causes and that the program was consistent with the status quo in donations programs. The program might be improved by increasing the overall donations budget (for example, the Conference Board [6] recommended that corporate contributions represent at least .1 percent of a company's sales, whereas Optix was only donating .03 percent of sales) and measuring the results of current contributions. Tilman felt that if she could get a better handle on the current contribution program at Optix, she could recommend minor improvements, such as these, to the CEO next week.

Establish a foundation or contribute to a "pass-through" foundation

Many corporations set up foundations to ensure consistency and stability in their giving programs. For example, U.S. companies such as GE and Kellogg took this route. In good earning years, corporations would contribute more money to their foundation in order to cover years when their earnings might not be as good. Foundations therefore built up a large capital base, the earnings from which were used to provide a financial base for their annual giving programs. In many cases, a company's foundation had key members of the senior management group on its board of directors. These members attempted to keep their programs on a parallel track with the corporation's strategic goals. To assure a certain degree of objectivity in making grants, however, many foundations also had "outside" directors on their board. Some foundations chose to have no direct connection with the company in order to remain completely objective.

Instead of establishing their own foundations, many companies joined "pass-through" foundations in which the company gave to the foundations annually, and the foundations then distributed the money they received directly to nonprofit organizations. The best-known U.S. example was the United Way. This method provided more insulation for the company since it did not directly make the contribution, yet it also stripped control over where the donated funds actually go from the organizations making the contributions.

Tilman was both intrigued and concerned about the option of donating to a foundation. She knew that administering the entire giving program on her own would add to her already heavy workload, so "delegating" some of the work seemed attractive. She realized that one of the key steps in setting up a contributions program was developing the guidelines that soliciting organizations must satisfy to receive funding. Establishing or joining a foundation would eliminate the need for this work while also maintaining a safe distance between the contributions and Optix. On the other hand, Tilman was not convinced that contributing to a foundation would help Optix focus its giving program and support the new corporate strategy outlined in the Excellent Global Corporation Plan.

Develop a mission-based program unique to Optix

Tilman's research indicated that with the increase in targeted giving aimed at assisting the sales or marketing efforts of an organization, there had been a gradual shift in the designees for contributions. Instead of giving money to organizations for general operating funds, many companies now sought specific projects that related to some aspect of their business. For example, United Technologies Corporation wanted to focus a majority of its corporate giving on education, especially engineering, science, and technology. With this mission in mind, UTC dedicated funds to help wire a local school district for Internet connectivity. This program allowed UTC to make strategic decisions in allocating funds, develop long-term relationships within the community, relate the donation to the company's brand image, and measure the outcome of the initiative.

With the increase in mission-based programs, companies also looked for activities that provided opportunities to involve their own employees. Volunteerism programs tended to focus on non-monetary contributions that served as extensions of local community relation donations.
The most successful programs once again focused on a natural extension of the company's business mission and corporate message. Much of the research that Tilman found indicated that support for volunteerism was a key driver of employee morale.

While Tilman was impressed by the benefits of developing a mission-based program and believed it would help add focus to the somewhat haphazard giving program currently in place, she wondered whether the added time spent developing such a program would pay off in the long-run and how, exactly, she would measure the benefits achieved.

Conclusion

As Tilman walked out the door, she took another look at the Excellent Global Corporation Plan and considered the role she could play in its implementation. She had only one week to formulate her recommendations, yet many questions remained. Which of her options made the most sense for the company as a whole? Which option allowed for the most straightforward measurement of benefits? How would she choose which causes and charities to support? Should she focus on local, regional, or national programs? Was the current contributions budget enough or too much? What other guidelines could she use in setting a new budget? What was the best way to communicate the new corporate philanthropy program once implemented? Who were the key stakeholders to reach?

FOOTNOTES

[1] John A. Koten, "The Strategic Uses of Corporate Philanthropy," ed. Clarke L. Caywood, *The Handbook of Strategic Public Relations & Integrated Communications* (New York: McGraw Hill, 1997), 152.

[2] Koten, 153.

[3] Non-cash items include the use of loaned executives, time off given to volunteers, and the donation of goods and services.

[4] The Internal Revenue Service permits a company to give up to 10% of its profits to charitable (nonprofit) organizations. These organizations are known, for the most part, as 501(C)(3) organizations, referring to the corresponding section for the IRS code.

[5] While these were the traditional categories, many corporations have added the categories of Economic Development and Environment in recent years.

[6] The Conference Board is an organization whose mission is "to enhance the contribution of business to society.: The Conference Board administers the Ron Brown Award for Corporate Leadership, which is awarded annually by the president of the United States. The Conference Board also regularly holds seminars and workshops for members focusing on issues such as developing corporate giving policies and goals, designing contributions budgets, and benchmarking and evaluating giving programs.

This case was written by Katherine Thomas (MBA '01) and Elizabeth A. Powell, Assistant Professor of Business Administration, with special thanks to Timothy Andree of BASF Corporation. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation.