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Why and How Your Firm Should Establish a Corporate Giving Program

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PEORIA – In 1858, at the age of 12, William G. Howard lost his left arm to a McCormick Reaper. No longer able to farm, he returned to school as the only student to study beyond the eighth grade. Neighbors pooled their money and sent William to Kalamazoo College. After earning the privilege to practice law, William returned home to serve the community of friends who had supported him in his time of need.

After William's son and grandsons joined the practice, Howard & Howard's culture of giving continued to evolve. The firm pursued unpopular causes such as the Kalamazoo desegregation case, took pro bono cases, encouraged community service, and supported charitable causes.

Like most organizations at the time, our financial contributions followed the "checkbook charity" paradigm. We made contributions on an ad hoc basis to what we believed were worthwhile causes without focusing on accountability, efficiency, outcomes, or advancing the business interests of our firm. Like many small and mid-sized organizations, we failed to recognize the opportunities offered by a focused program of targeted giving.

As the business of law became more sophisticated and competitive, our giving philosophy evolved into a formal corporate giving program (CGP). In 1986, we established the Howard & Howard Community Reinvestment Fund (H2CRF). The H2CRF is an employee-funded, donor-advised fund, administered by a community foundation. The program maximizes our human capital and financial resources,

enhances job satisfaction, aids in employee recruitment and retention, increases brand awareness, and promotes profitability. Since its inception, the H2CRF has distributed over \$3 million to not-for-profit organizations that are important to our employees, clients, prospects, and referral sources in the communities we serve.

CGP Program Structure

Giving programs can take on many forms and be funded in several ways. A well-run United Way campaign always offers a good introduction to the giving community. The most effective campaigns fully utilize the promotional resources of the United Way staff and volunteers to educate attorneys and team members about the myriad of giving opportunities and the impact each individual can make on the community. A matching grant program consistently increases employee involvement and plays a critical role in maximizing participation.

A formal program to encourage volunteerism also serves a vital role in many CGPs and directly promotes the business interests of an organization. Some law firms loan attorneys to specific organizations for discreet projects or extended campaigns. Some include more general volunteering obligations as a component of job descriptions and performance appraisals. Some compensate attorneys and staff who volunteer for causes that advance the firm's interests in the form of salary increases, bonuses, gifts, and extra paid and unpaid time off work.

Some make financial contributions to organizations for which employees

volunteer. Most acknowledge volunteer contributions through internal communications, newsletters, bulletin boards, and websites. All successful organizations recognize that community service fosters the relationships that drive business development and creates leadership development opportunities for young professionals.

Another giving model is the direct giving program. In this model, the firm funds charitable gifts and takes a direct tax deduction, subject to limitations imposed by the IRS. Sponsorships and gifts that do not qualify as charitable contributions may nevertheless be deducted as a business expense when computing corporate income tax obligations.

Many large organizations establish a corporate funded foundation that operates as a distinct entity with an independent board of directors. This model generally is too complex and expensive for small and mid-size law firms to administer.

Such organizations, like Howard & Howard, are better served by establishing a donor-advised fund administered by a community foundation or other third party that, for a modest fee, assumes responsibility for satisfying tax and regulatory requirements. A donor-advised fund may be funded by individual attorney and staff contributions, firm contributions, or a combination of both. Under this model, the firm makes recommendations for gifts from the fund to the third party administrator who is free by law to accept or reject each proposal. As a practical matter, assuming the recommendation is to a 501(c)(3) organization, the foundation funds it. The donor-advised fund model has served our philanthropic needs well.

Establishing the Decision Making Process

Determining who decides what to

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give, to whom, and why is critical to a successful CGP. Some organizations charge a single corporate giving officer with responsibility for making the business case to the CEO or management team for recommended gifts. Other organizations enlist a committee to make such recommendations. Some, like Howard & Howard with multiple office locations, establish an allocation committee comprised of representatives from each location who make recommendations to the committee based on the consensus of the employees at each particular office. In our experience, an effective CGP benefits from a large and diverse allocation committee.

A successful CGP also includes specific themes and rules that govern distributions. This approach focuses giving and maximizes the overall impact of charitable dollars. At Howard & Howard, we focus our giving to organizations that benefit children, education, and the arts.

The H2CRF rules include the following:

- All donations must be given to a 501(c)(3) authorized agency.
- No donations may be made to solicitations that return monetary value to the firm (i.e., candy, tickets, golf, or meals).
- Only Howard & Howard employee solicitations will be considered.
- The employee proposing the donation must make a written recommendation that includes his or her connection and involvement with the organization or the connection of a client or a prospective client. The proposal also must explain the potential benefit to the firm or the pure philanthropic purpose of the gift, and how the employee intends to follow up on the efficacy of the contribution.
- No donations are given to religious or political institutions or alma maters.
- Gifts must be for present use rather than for endowment or building funds.
- Substantial gifts that “make a difference” are preferred.

Institutionalizing a Corporate Giving Program

Maximum engagement of participants

in a well-communicated, transparent CGP is critical to its success. Securing attorney and staff engagement starts before the first day on the job. Studies show that the generations following the “baby boomers” place a higher emphasis on working for socially conscious organizations. Include information about your CGP in help wanted ads, employment applications, and job interviews. You will maximize participation by addressing your giving philosophy at the inception of the employment relationship. At Howard & Howard, we encourage our attorneys to donate 1 percent of their income to the H2CRF and ask our non-attorney colleagues to give what they can. The best opportunity to obtain buy-in to a corporate giving program like the H2CRF is when the applicant is asking for a job.

After hiring, include additional information about your CGP in the orientation process. Strongly encourage and incentivize participation. Modify self-evaluation forms and performance appraisals to acknowledge employee contributions, through community service and volunteerism, to the firm’s mission, core values, and strongly held beliefs. Utilize all of the organization’s communication resources from newsletters, e-mails, websites, and bulletin boards to constantly remind employees about the positive outcomes resulting from their commitment to share.

Increasing Brand Awareness

Small and mid-sized firms spend thousands of dollars annually on advertising to obtain positive name recognition. Many of the same firms spend thousands more on ad hoc charitable giving. While giving to the less fortunate anonymously represents the purest form of philanthropy, increasingly organizations are taking advantage of enhanced brand awareness offered by a targeted giving program in their public relations and advertising business plans.

If you establish a foundation or donor-advised fund, include your firm’s name in the title. When making grants, include your brand in the title of the gift, e.g., the

Howard & Howard Head Start to Art Grant, the Howard & Howard Future Laureates Arts Scholarship, the Howard & Howard International Health Studies Scholarship Fund. Issue press releases in connection with your grants. Include, whenever possible, photographs of grant recipients and their ultimate beneficiaries in your external communications. Consider obtaining a reusable large dry erase check bearing your firm’s name and logo that can be used for promotional photo opportunities.

Finally, you should strongly encourage attorneys and staff to participate in events and receptions sponsored by the organizations that your firm supports.

Conclusion

Although William G. Howard’s descendants no longer practice law, his legacy of community service survives.

Our firm’s culture has evolved in large part out of the philosophy of giving embodied in the Howard & Howard Community Reinvestment Fund. We share with the community and we share with each other with the understanding that in doing so we prosper and with our prosperity we make our communities a better place.

In turn, we continue the cycle of growth and prosperity. Through this process we have come to understand that promoting the greater good also advances the bottom line.

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