

PROFITABLE PHILANTHROPY

By: Rick Boxx

"Do companies that do the right thing make better investments?" This is a question Herb Greenberg researched for his Market Watch column in the *Wall Street Journal*, a highly respected daily business periodical. To discover the answer to his question, Greenberg reviewed research that has been compiled about companies that had become noted for their philanthropy.

Greenberg highlighted Dover Management's research on the charitable giving habits of the 500 companies who make up the Standard and Poor stock index. Data gathered during the study showed that those companies which established a strong relationship between philanthropy and operating earnings outperformed their peers by 3.5% over a five-year period.

Other studies reviewed by Greenberg seemed to provide factual support for his conclusion that, "doing good is apparently good for you."

Contrary to that observation, however, it seems the corporate world has become so consumed by the challenge of appeasing shareholders that many would conclude, and it might seem logical, that every dollar given away reduces corporate profits and shareholder value. For that reason, the results of Greenberg's research on corporate philanthropy seem puzzling, begging the question, "Why do companies not charitably inclined perform worse than the ones that are generous?"

You probably will not find a satisfactory answer to that question in the world's best institutions of learning. Instead, it can be found in a time-honored book that prominent business institutions like the Harvard Business School and the Wharton School of Business would never consider. Galatians 6:9, found in the Bible's New Testament, states, "*Let us not become weary in doing good, for at the proper time we will reap a harvest if we do not give up.*" The author of that book, the apostle Paul, was teaching a truth that we can readily observe in the natural world: We will reap what we sow.

Of course, this seems to present a paradox to conventional business thinking. How can you give away money and actually end up better off? If there is no God, conventional thinking would certainly prove true. However, because God does exist and wants to encourage and reward good behavior, the results – documented by studies of corporate philanthropy such as the one journalist Greenberg undertook – have demonstrated convincingly that the apostle Paul's maxim is true.

Leaders of publicly traded companies have to be sensitive to the demands and expectations of its shareholders, without question. However, if you truly want to enhance shareholder value, it's apparent from the research that you should be generous in supporting charitable causes that you and your leadership team believe in.

If you have authority over company profits, or even your own personal finances, remember that you will reap what you sow. Try sowing some financial seeds today into God's work. You won't be sorry!

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Reflection/Discussion Questions

1. To your knowledge, does your company participate in supporting charitable causes? If so, what types of causes does it support? Would you regard its philanthropic involvement as significant?

2. What are your thoughts about a company designating a portion of its annual profits for philanthropy? Do you think doing so works for, or against, the interests of its stakeholders? Explain your answer.

3. How do you respond to journalist Greenberg's conclusion that, "doing good is apparently good for you"?

4. The Bible passage cited by Rick Boxx states, "*Let us not become weary in doing good, for at the proper time we will reap a harvest if we do not give up.*" What is your reaction to this statement? Do you think it supports the practice of giving a portion of company profits to charitable causes, even if it would seem to reduce annual dividends or profit sharing? Explain your answer.

NOTE: If you have a Bible and would like to consider other passages that relate to this topic, look up the following verses:

Proverbs 3:9-10, 11:25, 18:16, 22:9, 28:22, 27; Matthew 6:1-4; 2 Corinthians 9:6-11