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## Charitable merry-go-round

By *Michelle Zelsman*

The 'good works' brass ring is good will among employees. But there is a downside

THERE'S AN APPROACH to recruiting that you probably haven't given much thought to: through your company's philanthropic efforts. More and more, organizations use good works to attract and retain high-level employees. But even as companies create good will among employees by doing good works, there's a downside: charitable pressure.

In this ever-evolving business environment, organizations are beginning to take a closer look at employee needs beyond the paycheck and stock options. "Organizations understand that employees have family, social, and community needs," says Brian Murrow, principal consultant and the head of the e-philanthropy practice at PricewaterhouseCoopers (PwC). "For years we have seen the value and benefit from getting involved in the community." And Murrow says one of those benefits is lower employee turnover.

Trained as a behavioral economist, Murrow says that "when people enjoy what they are doing, they will do it well." And enjoyment at work often comes from the office extracurricular activities. Many employees, Murrow says, want to work for a company that recognizes and participates in the social well-being of the community.

"People want to give back to the community. They want to feel good about what they are doing. And they want to make a difference in the world," Murrow says. Providing volunteer opportunities for employees is one way organizations are meeting that need.

"We have something called the Balanced Scorecard which feeds into our compensation," Murrow says. Instituted on the consulting side of PwC's business about four years ago, employees are given time during work hours to volunteer in cause-related activities. "I never had a more fulfilling experience than last year when I worked with a first-grader who [at the beginning of the mentoring experience] knew just six letters of the alphabet."

In addition to one-on-one volunteer opportunities, companies are using community involvement projects for team-building. At Dazel, a Hewlett-Packard software company in Austin, Texas, manager Colleen Heubaum serves on the company's charitable giving board. "Our CEO, Bill

Bock, has always felt it was important that the entire organization be involved in how the money we have set aside for charitable giving is disbursed in the community," she says.

Dazel employees are invited to submit grant proposals to support local Austin nonprofit organizations. "A lot of what we do comes from someone on staff bringing an idea to the table, and it spreads. It allows us to create more involvement," Heubaum says.

"Working on a common cause outside the office helps you get to know the people you work with," on a different level, Heubaumsays. "I believe I work better with them now."

### **The bottom line**

Creating volunteer opportunities for employees to give back to the community is all well and good, but charitable organizations require money. Without it, community nonprofits simply don't have the resources to effectively use volunteers.

PwC's Murrow suggests the answer to that problem is found in a basic business model. "Statistics indicate that those who volunteer for an organization -- and have engaged physically -- have a higher propensity to make a [financial] donation to that cause," Murrow says.

So in this New Economy with tons of new money, does the high-tech community have a responsibility to contribute financially to folks who are struggling?

Yes, says Adam Goozh, president and CEO of CreateHope ( [www.createhope.org](http://www.createhope.org) ), an online philanthropy service based in Bethesda, Md. "The '90s were a time of great prosperity. A lot of the wealth in this country comes from the younger tech companies, and their success comes as a result of the community. Now it's time for them to give back."

These newly flush-with-cash IT executives understand that. But according to Goozh, they shun the conservative traditional giving methods.

"They want hip alternatives to giving," Goozh says. So CreateHope delivers a solution in a language they understand: the electronic Giving Station. Donors not only go online to make a contribution or find a volunteer opportunity but also to get educated and track how the money is spent by the charity.

Giving by the organization all comes back to employee retention. "[IT] is a highly competitive industry where employers are trying to get one step above the other, because when it comes down to it, [companies] all offer basically the same thing," Goozh says. So by making volunteer opportunities available, Goozh says, employers see this as a way of setting themselves apart, making them more attractive to social-minded employees.

### **Venture capital philanthropy**

Young Austin start-ups have an alternative to giving. Under the leadership of Elaine Wetmore, the Austin Entrepreneurs Foundation (AEF) helps start-up execs give what they have the least of: time and money.

Modeled after The Entrepreneurs' Foundation in Silicon Valley, AEF accepts stock option

donations from start-ups. "As we all know, there are three things that can happen to a start-up: They can go public, they can get acquired, or they can go under," Wetmore says. And when one of these "liquidity events" happens, those stock options become worth real money. AEF then converts the options to cash and funds charitable activities.

With more than 80 high-tech, venture-backed companies currently donating options to the foundation, Wetmore says employees at other companies are asking their execs how they can get involved. "We help them find the [philanthropic] opportunities consistent with their corporate mission," Wetmore says.

"We become their virtual community relations function," she says. "If you're getting press for [your philanthropic efforts], you stand apart from the rest, and that becomes a great recruiting and retention tool."

Building relationships among employees is the key. If a company encourages employees to take time from work to volunteer, "it creates a sense of unity around something greater," Wetmore says. "It's the same reason recruiting is better with referrals -- it's a bonding thing. It may not stop [employees] from jumping, but it may play into the fact that they may not begin to look in the first place."

### **Charitable pressure**

No good deed goes unpunished. Start-ups that realize the value of good works for recruitment and retention also feel pressured once they step into that high-profile ring.

For some the pressure comes from local government officials and leaders at philanthropic agencies who complain the IT boom -- and related economic and local growth -- burdens the local infrastructure. "They say, 'You young wealthy people are destroying the city. And since you started it, now you've got to help find the solution,'" Wetmore says.

Peer pressure also raises its head. "No one wants to be the CEO who says 'I don't care,'" Wetmore says. So when one leader steps up to the Foundation, others follow.

The pressure to give cash to charities is greater than ever for the newly rich IT employee. "It's a bombardment," says Mario Morino, chairman of the Venture Philanthropy Partners (VPP), of Reston, Va. "I'd say we get anywhere from five to 20 [charity] requests a week. It's a charitable merry-go-round."

"It starts out well-intended," Morino says. Start-up execs feel good about the donation. Then the professional fund-raisers start making requests. At first the company leaders write a couple more checks. Then the cycle snowballs beyond commitment to a particular cause or beyond employees' requests. "They get bombarded," Morino says. "And they are tired of it."

Morino understands this and the downfalls in the current charitable solicitation model. He established VPP to change nonprofits' funding structure. Morino's work with nonprofits over the years has led him to draw a conclusion: "The philanthropic machine that supports human needs is doing a good job of raising money, but [is] not effectively engaged in making a difference," Morino says.

It doesn't have to be that way. "We want to demonstrate that we can come into a nonprofit

organization and invest in it the way we would if we were making a strategic financial investment in a high-tech company. If we stay four to six years as a partner, we could build stronger, more effective, and sustainable [nonprofit] organizations. That's the challenge of venture philanthropy," Morino says. And that, he believes, is more appealing to tech companies looking to make financial contributions -- even more appealing than the good works bonus points they make with employees.

"Partnership is the key," Morino believes, "and I don't see people talking about that." Just as one would expect of a venture capitalist, Morino says, "our investment prospect is long term, and you don't build relationships overnight."

Morino understands the recruitment and retention problems in the IT industry. He faces his own. Recruiting former successful high-tech professionals to join VPP, Morino says, "is a bitch. We are modeling VPP after a high-end investment firm."

In VPP partners' for-profit lives, the target candidates were highly paid, highly effective executives. They understand how to leverage capital. Morino says the twist to building VPP's crack team is that "they have made a decision to do something different in their lives. Still, it's a very difficult model to recruit for."

So it seems that with the New Economy, we will see a new philanthropy -- with corporate involvement for a variety of reasons -- from meeting employee needs to getting a little press. If the IT community isn't dealing with the social outcomes, all of this doesn't matter -- even the good will created among tech employees won't matter, Morino says.

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