

## Perils of Corporate Philanthropy

BY RONALD ALSOP

Jamie Herdman was no fan of Ronald McDonald and seldom allowed her children to lunch on Happy Meals. She was especially angry to learn recently that McDonald's Corp.'s french fries include beef flavoring, not just vegetable oil.

But she changed her tune when television-news programs showed rescue workers at the World Trade Center site receiving free boxes of chicken nuggets bearing the McDonald's logo. "I've been buying Happy Meals ever since because of the company's compassion," says the 32-year-old housewife from Reynoldsburg, Ohio. "I especially appreciated that there wasn't any spin, that McDonald's didn't run commercials bragging about itself."

Almost unanimously, the public says it wants information about a company's record on social and environmental responsibility to help decide which companies to buy from, invest in and work for. But philanthropy is a tricky facet of corporate public relations. Good deeds can rebound to a company's credit, as has been the case with Ms. Herdman. But they can be overlooked if untrumpeted, making the company a target for unfair criticism, and they can backfire if consumers view the purported philanthropy as profiteering or if the company fails to live up to the good-neighbor image it projects. In short, promoting philanthropy is perilous, and companies can find they're damned if they do and damned if they don't.

These are among the findings of the annual corporate-reputation survey conducted by the Reputation Institute, a New York research

group, with the market-research firm Harris Interactive Inc. The survey of 21,630 people was conducted in October. Charles Fombrun, executive director of the Reputation Institute, says that Americans have a general skepticism about corporate philanthropy "because there hasn't been a long tradition of doing good in this country. ... The typical reaction is, 'Hmm, there must be something in it for the company.'"

As a prime example, many people have scoffed at the lavish Philip Morris Cos. \$250 million ad campaign touting its charitable activities. For one thing, they believe the company should have spent its "corporate outreach" ad budget on more philanthropy rather than publicity. Some also view it — and a planned name change to Altria Group — as a smoke screen to divert attention from its cigarette business.

John Hyde, a retiree in Placerville, Calif., says it's hard to believe Philip Morris is "a good guy just because it donates water to flood victims or helps the hungry." (Philip Morris, which ranked overall 59th out of the 60 companies in the survey, believes it is "viewed as changing for the better and being more socially responsible" because of the campaign, says a spokeswoman.)

The aftermath of Sept. 11 illustrates some of philanthropy's pitfalls. Verizon Communications informed its customers of its charitable donations and its efforts to provide telecommunications services in downtown Manhattan through a letter rather than advertising. But even that approach offended a few people who felt the company was

taking advantage of the tragedy to promote itself. Still, "we're glad we did the letter," says Mary Beth Bardin, head of communications. "The vast majority of our customers appreciated it."

Avon Products Inc. tried not to seem mercenary in full-page newspaper ads that thanked its sales representatives for raising more than \$7 million in charitable contributions through the sale of a heart-shaped American flag pin. "We were very careful not to have a phone number or our Web site address in the ad so it didn't look like we were trying to sell something," says Susan Heaney, an Avon spokeswoman.

### High Marks

Top-rated companies for social responsibility

1. Johnson & Johnson
2. Coca-Cola
3. Wal-Mart
4. Anheuser-Busch
5. Hewlett-Packard
6. Walt Disney
7. Microsoft
8. IBM
9. McDonald's
10. 3M
11. UPS
12. FedEx
13. Target
14. Home Depot
15. General Electric

Source: 2001 Harris Interactive/Reputation Institute Survey

But reticence had its drawbacks for Procter & Gamble Co. and Honda Motor Co., both of which performed good works after the attacks but didn't promote them. Each was harshly criticized by respondents to the Harris/Reputation Institute survey for inaction. One respondent accused P&G, which provided more than \$2.5 million in cash and products, of doing "absolutely nothing to help!" Honda, which donated cash, all-terrain vehicles and generators for use at Ground Zero, was blasted for lacking compassion and not supporting America.

P&G is philosophical. The company likes to get credit with the public, says Carol Talbot, vice president and trustee of the Procter & Gamble Fund. "But you certainly don't want to capitalize on a disaster," she says. "We did internal communications and a news advisory in Cincinnati and other places where we have major operations, but we would never have advertised what we did."

After Sept. 11, Johnson & Johnson sponsored a special issue of Newsweek magazine about the spirit of America, and donated the advertising space to various nonprofit organizations. "We don't take much to touting what we feel is a special obligation to the community since we're in the business of health care," says Willard Nielsen, corporate vice president of public affairs. But Mr. Nielsen says J&J did send an advisory to the news media listing its donations of cash and products to the relief effort after investors and employees complained that they hadn't heard about anything J&J was doing to help survivors.

J&J, Coca-Cola Co. and Wal-Mart Stores Inc. received the highest ratings for social responsibility in the survey. That helped their overall reputation scores, with J&J in first place, Coke in third, and Wal-Mart in 17th. Coke promotes its charitable endeavors on its Web site, as does Wal-Mart, which also publi-

cizes its "good works initiative" through press releases and advertising. "But we made a conscious decision not to promote the contributions we made after the Sept. 11 tragedy," says Jose Gomez, a spokesman for the Wal-Mart Foundation. "People learned about our donations through press releases from the relief organizations."

In fact, consumers and investors are more often than not left in the dark about a company's good works. Of 20 corporate attributes in the Harris/Reputation Institute survey, the question of whether a company supports good causes elicited the largest percentage of "not sure" responses.

Corporate-communications officials are understandably confused about how to publicize their good works given that the public itself is split over the best approach. About half of the respondents to the reputation survey believe advertising and press releases are appropriate, but 40% prefer a less splashy message and recommend using annual reports and corporate Web sites for philanthropic information.

Sarah Marcus, a survey respondent from Madison, Wis., is in the latter camp. "I wish companies would just back off and stop flaunting their donations in newspaper and television ads that I have to see whether I want to or not. ... Advertising defeats the altruism in my mind," says the 24-year-old librarian and graduate student.

Even so, some companies believe advertising can succeed if handled sensitively. For the first time, General Electric Co.'s corporate-advertising campaign includes messages about its \$30 million "college bound" program for students and its employee volunteers who serve pancakes to the elderly, clean playgrounds and read to kindergartners. "We're trying to get recognition in local communities and with minority groups," says Diana Sousa, manager of corporate communications at GE, which

ranked 12th overall in the survey.

McDonald's, on the other hand, will release its first global social-responsibility report this month through a new Web site. "We want to be transparent on these issues but not do a lot of self-promotion," says Walt Riker, corporate vice president for communications.

Microsoft Corp. hasn't been shy about the charitable contributions of the company and its chairman, Bill Gates, which has caused some critics to suspect its motives. "When I hear about Microsoft's donations, I think here's this giant company just trying to look good after all the bad press it got" as the government pursued its antitrust case, says Greg Roland, a 23-year-old college student, in Mount Prospect, Ill. But it's a no-win situation for Microsoft with Mr. Roland: "I also think they donate far less than they could given Bill Gates's billions," he says.

Microsoft considers its critics ill-informed. "People don't realize that Microsoft has a long history of giving going back to before the company went public and before our recent public-relations challenges," says Bruce Brooks, director of community affairs. "We're responding to community needs, not to public-relations concerns."