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# Social Giving then and Now: Exploring Philanthropic Activities in the 20th Century through Andrew Carnegie and TOMS

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SOCIAL GIVING THEN AND NOW: EXPLORING PHILANTHROPIC ACTIVITIES IN THE 20TH  
CENTURY THROUGH ANDREW CARNEGIE AND TOMS

By

Lauren M Beatty

Honors Capstone Project

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International Business

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## ABSTRACT

This thesis explores social giving in the past century by looking at Andrew Carnegie and his influence on philanthropy and on the American business, TOMS, that integrates giving into its corporate structure. This historical research provides a conceptual context for the small business I created in August 2012. My business, *Double Vision*, applies the ideas of corporate social responsibility on a small scale to impact a community in the Dominican Republic. Included in the paper is an overview of the progression of social giving in the past century through the focus on Andrew Carnegie and TOMS, an analysis of the benefits and detriments of philanthropic giving, and my personal application. The purpose of this project is to increase my knowledge and understanding of corporate social responsibility and apply the ideas to a personal business venture.

KEYWORDS: philanthropy, corporate social responsibility, Andrew Carnegie, TOMS, business

## REVIEW OF LITERATURE

“What is the use of living, if it be not to strive for noble causes and to make this muddled world a better place for those who will live in it after we are gone.” The British statesman, Winston Churchill spoke truth in a 1908 speech in Dundee, Scotland, regarding the purpose of life (Churchill). Few people can deny the necessity and benefits of giving to people in need. Although there is quite the discrepancy in how much giving is responsible and who qualifies as “a person in need,” it is obvious that an endless need for community outreach exists in the world. There are thousands of organizations, individuals, and corporations that consistently commit financial gifts to improving the lives of fellow citizens in a variety of ways.

Responsibly giving money to improve society is complex and requires an individual or organization to commit more than finances. If not properly done, giving money can do more harm than good in a community. Philanthropy and corporate social responsibility seek to accomplish essentially the same goal with slightly different means. Philanthropists use individual earnings to benefit a lengthy list of nongovernmental institutions, non-profit organizations, or private foundations. Corporate social responsibility is implemented directly into the business plans of companies that are interested in supporting specific organizations that address social problems in the world.

**Introduction.** In the early twentieth century, individuals made notable donations based primarily on privately accrued wealth. The concept of corporate giving did not exist until the mid-twentieth century when a paradigm shift occurred in the corporate world as companies began supporting specific causes with monetary gifts as well as

contributions of products and services to charitable causes and organizations. Now referred to as Corporate Social Responsibility, philanthropic activity is implemented by a wide range of corporations in the United States and abroad.

This review of literature explores social giving in the past century by looking at a specific individual and business that were interested in giving with a greater purpose in mind. There is a primary focus on philanthropy through the life and legacy of Andrew Carnegie as well as a narrower application of philanthropy called Corporate Social Responsibility through the American retail company TOMS. The aforementioned research serves to provide a conceptual context for the establishment of my small business, *Double Vision*. The business is selling artistically embellished wall and desk picture frames to benefit the Rancho Arriba Vision Project in the Dominican Republic. Included in the paper is an analysis of the benefits and detriments of philanthropy and Corporate Social Responsibility, as well as a personal application of both forms of giving to my life as an aspiring entrepreneur.

#### ANDREW CARNEGIE AND HIS LEGACY

The first decade of the twentieth century was an era of monumental industrial growth in the United States. Specific individuals dominated different industry sectors with production monopolies. Starting in the late nineteenth century, Andrew Carnegie was the notable leader in steel and iron production. He revolutionized the production process with streamlined techniques and redesigned technologies. By 1901 Carnegie's steel plants dominated the market, even over Great Britain's steel plants that formerly led the pack in worldwide production. Over two decades, his efficient methods at the



Carnegie Steel Company drove down the price of steel rails from \$160 per ton to \$17 (Klein 66). He found great success by persevering through difficult times and maintaining low prices. Jonathan Hughes said once of Carnegie, "He bought in depressions, rebuilt in depressions, restaffed in depressions, then undercut his competitors when business was good" (Klein 119-20). This form of business resulted in high profit margins and gave Carnegie an edge in the market.

**Carnegie Steel Company.** In order to keep running his business so aggressively, Andrew Carnegie was a tough employer. He obsessed over business costs and passionately disliked the labor union movement, resulting in him being rather out of touch with the needs of his workers (Klein 198). Carnegie, who thought himself a very just and sympathetic owner, was shocked and rather hurt when informed that the workers at his Homestead factory in Pittsburg, Pennsylvania were striking for better wages in 1892 (Carnegie 234). Two hundred and eighteen tonnage men (paid by the ton of steel produced) formed a union against the Carnegie Steel Company, demanding that they receive more money in their three-year contract than the sixty-percent increase that they were already given (Carnegie 229). Carnegie himself was in Scotland attending to business at the time and at the advisement of his partners he stayed abroad until the conflict was resolved. The Homestead Strike was so disconcerting to Carnegie that he reconsidered not just the end result of fair wages, but how to appropriately achieve fair labor practices.

However, Carnegie got better at attuning himself to the needs of his workmen. In his autobiography he said, "It is not solely, often it is not chiefly, a matter of dollars

with workmen. Appreciation, kind treatment, a fair deal – these are often the potent forces with American workmen...Employers can do so many desirable things for their men at little cost” (Carnegie 249-50). At the request of his workers, Carnegie instituted and then revised a sliding pay scale, sold coal through the Steel Company at cost to employees, and set up the Braddock’s Cooperative Society as an institution in which workmen could purchase household necessities at a discounted price (Carnegie 250). Instituting these programs strengthened Carnegie’s relationship with his men, which promoted loyalty within the company as well as in the community.

**Introducing Philanthropy.** As one of the most widely recognized individual benefactors of American society Andrew Carnegie sought to use financial giving as a means to lessen the gap between social classes. In his magnum opus, *The Gospel of Wealth* he wrote, “The problem of our age is the proper administration of wealth, that the ties of brotherhood may still bind together the rich and poor in harmonious relationship” (Carnegie 14). He saw the advantages of the material society that helped to make him a wealthy man, but also recognized the many pitfalls associated with the industrial machine in America in the 1900s. In his 1889 article “Private Fortunes for Public Benefit” he explained his philosophy in regards to the responsibility of those with accrued wealth:

This, then is held to be the duty of the man of wealth: first, to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so to consider all surplus revenues

which come to him simply as trust funds which he is called to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community – the man of wealth thus becoming the mere agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves. (Carnegie)

Carnegie's mission was to give away his millions in an appropriate manner to improve society. He had very specific ideas for how to distribute the money properly and after retirement, he dedicated the last eighteen years of his life to dispersing his wealth.

**Impact on Society.** A common theme among philanthropists, Andrew Carnegie found donating money to be more difficult than making it. In his 1920 autobiography, he wrote, "I resolved to stop accumulating and begin the infinitely more serious and difficult task of wise distribution" (Carnegie 255). Although he recognized the potential for his steel company to continue to expand, Carnegie realized that the task of philanthropic distribution would wear him out too much to continue managing the company. Therefore, in March 1901 he arranged for United States Steel to take control of his company, allowing him to retire (Carnegie 256). The separation was difficult, but Carnegie knew that it was necessary for him to accomplish his goals of distributing his great financial surplus.

*Carnegie Libraries*

In looking for ways to share his wealth, Carnegie found inspiration in the generosity of his parents. His father and mother “gave access to their few books to their less fortunate neighbors” in Dunfermline, Scotland (Carnegie 259). Doing this allowed the poor citizens of his native town to benefit from the opportunity of becoming literate. Carnegie saw a lack of education as one of the greatest barriers to societal improvement. He decided to fund the establishment of public libraries to provide opportunities for regular citizens, such as the workers at his steel factories, to become educated starting in New York City. The 1,946 Carnegie Libraries (present in every state in the Union except Rhode Island) and the 865 international Carnegie Libraries are a lasting example of the steel tycoon’s philanthropy (Klein 247). Free to the public, these libraries offer citizens a way to increase their knowledge, which Carnegie held to be one of the most important goals in life. The buildings were designed in a style that has come to be known as the “Carnegie Classical” further connecting the core competency of the entrepreneur to his giving.

### *Other Gifts*

The city of Pittsburgh asked for a library; a request Carnegie was more than happy to grant. He said of the gift, “In Pittsburgh I made my fortune and in the twenty-four millions already spent on this group, she gets back only a small part of what she gave, and to which she is richly entitled” (Carnegie 259). Ultimately the project developed to include a museum, picture gallery, technical school, and the Margaret Morrison School for Young Women (Carnegie 259).

Beyond the \$50 million spent on the Carnegie Libraries and \$28 million given to the Carnegie Institute at Pittsburgh, he created the Hero Fund and the Carnegie Endowment for International Peace (Klein 247). Perhaps his largest endeavor was the Carnegie Foundation for the Advancement of Teaching formed in 1904. The initial purpose of the \$10 million in five percent bonds endowment was to serve as a pension plan for teachers. Unfortunately, it was unsustainable as intended. However, by 1909 it was restructured into the “unofficial accrediting agency for colleges and universities”. In 1911 Carnegie put the majority of his remaining wealth into the Carnegie Corporation, the “first giant philanthropic foundation” (Klein 248). Though not the largest donor of all the major philanthropists in the twentieth century, Carnegie’s methods of giving created an enduring legacy that qualifies him as one of the most widely recognized societal benefactors still today because of his methods and concentrations of giving.

#### PRINCIPLES OF PHILANTHROPY

Robert Payton and Michael Moody, authors of *Understanding Philanthropy: Its Meaning and Mission*, discuss philanthropy as a multifaceted concept relating to voluntary giving, voluntary service, and voluntary association. In this context they define benefiting society with the following phrase, “Philanthropy is an expression of this human moral imagination that seeks to improve the quality of life” (Payton 64). Humans are characteristically concerned for each other at some level and consequently desire to perfect life in hopes of eradicating the world of injustice. Philanthropy is an important factor in supporting the work of nonprofit organizations and supplementing the financial contributions of the government. Payton and Moody go so far as to

suggest that philanthropy is necessary for democratic societies – including that of the United States – to survive (Payton 13). They claim that governmental policies and plans have gaping holes that require the assistance of voluntary action to meet society's needs.

Philanthropy tends to fly under the radar of many people despite its pervasiveness in society. Although nearly every American participates in either the giving or receiving end of philanthropic practices, not many take the time to consider the magnitude of the network of goodwill and generosity. In 2005, the *Giving USA* report noted that Americans gave \$260.3 billion that year alone (qtd in Payton 17). As of 2008, philanthropy in the United States encompassed approximately “two million organizations, tens of millions of donors and volunteers, millions of full-time jobs, and trillions of dollars in revenues, trillions in expenditures, and trillions in assets” (Payton 16). There is an endless list of viable applications for charitable donations that requires a massive system of organizational development.

**Money Management.** It is one thing to amass great wealth, but an entirely different thing to responsibly give it away. Many successful philanthropists, including Andrew Carnegie, John D. Rockefeller, and Warren Buffet all retired from business in order to embrace philanthropy fully as a second career. Bill Gates, founder of Microsoft and the head of the Bill and Melinda Gates Foundation, said of philanthropic giving “...it's very tricky to be in a meeting one minute where you're talking about giving away lots of money, and then in the next minute you're thinking about making money” (Klein 252). There is a conflict of interest at some level for the head of a company to be

managing both the business and the philanthropy. In order to maximize one's role as a philanthropist, it is often necessary to commit completely to giving and relinquish ties to the business side of things.

### *Current Philanthropy*

In the United States there is a strong interest in blending philanthropy, private investment, and social entrepreneurship to combat global issues in today's society. Although the mode of giving has changed in the last century, individual philanthropy is not dead. In June 2010, Warren Buffet, Bill and Melinda Gates, and eighty-one other billionaires signed on to The Giving Pledge, "a public commitment by some of the world's richest people to give away at least half of their wealth, which in turn is meant to inspire more giving" (Primorac 9). Despite the focus on corporate giving in today's society, individuals see the need to contribute beyond what the government and businesses give to fill the gaps in funding for prominent social issues.

One of the most common modes of responsibly giving away surplus wealth is to create a private foundation. Such foundations made an appearance a little more than 100 years ago during the Carnegie, Rockefeller, and Ford eras of entrepreneurial monopolies. Foundations were designed to identify social issues and fund appropriate solutions in response. If successful, these solutions were structured into institutions for which the foundations would transfer to be funded by the government (Stauber 394). Typically, these foundations start exclusively with a large donation from one philanthropist to address one issue within a specific region or people group. With further financial backing, the foundation is able to broaden its scope to provide more

assistance.

### *Philanthropy in Education*

In the recent past, interest in philanthropic values and activities has increased enough to warrant the development of academic curriculum and conferences on the subject. United States universities such as Stanford, Duke, and Georgetown have implemented programs of study focused on philanthropy. The coursework of these programs address topics ranging from the reasons behind giving to how to measure the impact of philanthropic activities on a community. A summit on philanthropy was held in June 2012 for 161 of the world's billionaires to discuss how they can and will change the world by using their wealth to address social issues. The World Economic Forum also offers a session focused on the "pursuit of an innovative solution to a social problem" (qtd. in Primorac 9). Academic focus on the methods and uses of philanthropy gives it a platform to extend other disciplines as society gains an understanding of its unique benefits.

Where individual philanthropic giving dominated the first half of this past century; the latter half is dominated by corporate social responsibility. Corporate social responsibility (CSR) is defined by the International Organization for Standardization as "a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society (qtd. in Leonard 27). Although programs vary between organizations, CSR seeks to address issues such as human rights, unfair business practices, environmental sustainability, social development, occupational health and safety standards, and unifying communities.



## TOMS AND CORPORATE SOCIAL RESPONSIBILITY

The primary inspiration for this paper is the book *Start Something that Matters* by Blake Mycoskie. In 2006 Mycoskie created the shoe company TOMS. The company sells very unique shoes based on the ethnic Argentinian shoe, the alpargata. As a young entrepreneur, Mycoskie was inspired to “start something that matters” after a short-term vacation in Argentina. While visiting, he had the unique opportunity to meet with a woman who introduced him to the idea of a shoe drop (distributing donated shoes to children in need). The basic idea was solid, but shortages caused by only using donated shoes would still leave many children with bare feet. He wanted a sustainable solution rather than a temporary fix.

**Giving Concept.** In the beginning, TOMS was very limited in manpower, storage space, and capital, but Mycoskie was confident that his simple idea would appeal to the hearts of consumers. Over the next few weeks and months Mycoskie fleshed out private thoughts and ideas to improve a system that relied completely on charitable donations. In the end he decided that the only way to develop an efficient and effective solution would be to create a for-profit company that would use its profits to benefit shoeless children. As an already successful entrepreneur, Mycoskie knew how to successfully sustain a business. Just as companies must be constantly poured into and maintained, philanthropic activities need reliable sources of money and manpower to maximize giving capabilities. Therefore, Mycoskie applied these ideas to a business plan for sustainable addressing the need of shoes for impoverished children in the world.

*Corporate Mission*

The main concept of the TOMS philosophy is “One for One,” meaning that for every pair of shoes sold, the company will donate a pair of shoes to a child in need.

Mycoskie described the foundation of his business and CSR initiative in his book

It was a simple concept: Sell a pair of shoes today, give a pair of shoes tomorrow. Something about the idea felt so right, even though I had no experience, or even connections, in the shoe business. I did have one thing that came to me almost immediately: a name for my new company. I called it TOMS. I’d been playing around with the phrase “Shoes for a Better Tomorrow,” which eventually became “Tomorrow’s Shoes,” then TOMS. (Now you know why my name is Blake but my shoes are TOMS. It’s not about a person. It’s about a promise – a better tomorrow).

(Mycoskie 6)

Mycoskie saw that he could provide a commodity to upscale markets in developed countries to fund a project in developing countries. From that basic acknowledgment of a need, he designed a company with the capacity to accomplish his goal.

Children in impoverished areas worldwide are denied access to schools because of their lack of footwear. Many families are unable to provide their children with one pair of shoes, much less keep up the pace with quickly growing feet. Unable to get an education, children are forced to look for work in areas unfit for young people. Walking around without shoes also exposes children to dangerous diseases such as hookworm, Podoconiosis, jiggers, and tetanus. In giving a child a pair of shoes, TOMS is providing them with a chance to go to school as well as protecting them from debilitating diseases

(TOMS). By September 2010, the company had given its millionth pair away. Through TOMS, Mycoskie began a revolutionary movement in the area of corporate social responsibility.

*Everyone Benefits from Giving*

Blake Mycoskie did not pioneer the idea of corporate social responsibility by any means. However, TOMS did create a huge wave in interest in the area of consumer-based charitable giving. The One for One slogan is a huge part of the TOMS marketing campaign because it sums up the entire purpose and organization of the company in a memorable phrase. In a 2011 interview with We First, a social branding consulting firm, Mycoskie said the following about the success of TOMS:

You need to have a differentiating aspect of your product, you need customer loyalty, you need employees that feel more attracted to their job than just getting a paycheck, you need a story that will spread with social media...I think that the cynics really don't understand the power and impact in the traditional business sense. They're just looking at the 'feel good' aspect (which is an important reason for doing it as well) but when you really look at the nuts and bolts of it, it proves that it really is good business. (qtd. in Mainwaring)

Beyond falling in love with the uniquely designed shoes, customers caught on to the mission of TOMS – sell a pair to give a pair.

Over the years, TOMS shoes have practically sold themselves as word of mouth marketing quickly spread the news about the company's mission. Blake Mycoskie knew

that TOMS was a success when he encountered a woman wearing a pair of TOMS at an airport. Without introducing himself he casually complimented her on the shoes to which she excitedly replied with an explanation of the TOMS mission and process. Beyond the compliment, Mycoskie realized that if that woman was bold enough to tell a complete stranger about the shoes, she had probably already told everyone she knew about TOMS (Mycoskie 31). Word of mouth marketing is one of the most effective strategies because it is free and most people are more likely to buy a product if they have a personal reference.

**Logistics and Restrictions.** Despite its simple mission statement, the TOMS One for One giving process is quite complex. Initially called “shoe drops”, the first distributions of shoes were completed directly from TOMS to world areas in need. As the company grew it increased its capacity to give more pairs of shoes. With such large shipments of shoes TOMS realized that it was not equipped to handle the background research and complex logistical issues required to give shoes away effectively and appropriately. TOMS made a transition to using “Giving Partners”. Typically non-governmental organizations, these Giving Partners identify regions in need and communicate with the shoe company (Brown). Utilizing Giving Partners allows TOMS to focus more on its core competencies, primarily making quality shoes.

Nongovernmental organizations (NGOs) apply to be a Giving Partner through an extensive application process in which the shoe company gauges if the two organizations would be a good fit for each other as well as if there is a substantial enough need of shoes in the region of the NGO. Once a relationship has been

established, the Giving Partner places an order for shoes to outfit children aged 2-17 through a TOMS' Giving Account Manager who internally works within the shoe company to manage each Giving Partner relationship. TOMS covers the logistical costs including ocean, air, and land freight charges. In order to use funds in the most efficient fashion, there is a 17,000 pair minimum order, which fills a 20-foot shipping container (Brown). Maintaining this policy keeps TOMS' method of giving sustainable because it minimizes unnecessary expenses.

In order to maximize responsible giving, TOMS structures its giving system in a way that respects the communities that it seeks to impact, encourages repeat giving, and maintains the professional nature of the business. The principles behind social giving are for naught if the gifts disrupt or destroy the local economy. In partnering with established NGOs, TOMS seeks "to make sure there are no negative effects associated with our shoe-giving, thus providing shoes cannot have any negative socio-economic effects on the communities where shoes are given" (Brown). The company furthers this goal by asking Giving Partners to commit to providing shoes to the same children for multiple years rather than constantly changing who receives footwear. Doing so allows children to continue benefitting from wearing shoes as their feet grow.

TOMS maintains its autonomy by insisting that the shoes they give remain neutral. This means that the shoes are distributed as shoes alone and are not linked to faith-based or politically oriented organizations. The company sees value in the freedom that comes from not associating itself with specific organizations. While the company willingly partners with such organizations, there is an emphasis to not push an

agenda while giving the shoes (Brown). Maintaining this partnering structure not only protects the company from unnecessary critiques, but also works to strengthen the local economies. Establishing a successful program for selling shoes to give shoes allowed the company to branch out and begin to address other social problems.

**Expansion.** In 2011, TOMS introduced an eyewear line with the same One for One business model. Customers have three fashionable styles of sunglasses to choose from in addition to the variety of footwear. For each pair of glasses sold, TOMS provides medical treatment, prescription eyeglasses, or sight-saving surgery to an unprivileged citizen through the SEVA Foundation. The vision program initially started in Nepal, but has since spread to thirteen countries including Bangladesh, Cambodia, Egypt, Ethiopia, Guatemala, India, Pakistan, Paraguay, Tibet, Tanzania, Uganda, and the United States (TOMS).

**International Compliance.** Companies that wish to engage in international business and corporate social responsibility practices must make certain efforts to comply with economic and commerce standards. In order to maintain social and environmental responsibly practices TOMS operates using a series of checks and balances to ensure that the company does not violate any international or domestic laws. Because the shoe company does manufacturing in China, Ethiopia, and Argentina they are sensitive to the challenges associated with doing business in each country. The TOMS corporate web site says, "On an annual basis, we require our direct suppliers to certify that the materials incorporated into our products are procured in accordance with all applicable laws in the countries they do business in" (TOMS). Managing every

aspect of the business in such a respectful way builds a flourishing corporate structure as well as strengthens relationships between the company and organizations that it works with consistently.

In *Start Something that Matters*, Mycoskie comments, “A leader can create a company, but a community creates a movement” (Mycoskie 130). This statement really embodies the personal philosophy of Mycoskie as well as the corporate philosophy of TOMS. It also represents the paradigm shift from philanthropy to corporate social responsibility. Instead of relying on individuals to be the sole benefactors of society, CSR initiatives allow everyone, including employees, customers, stockholders, and community members to be involved in addressing society-enhancing goals. Mycoskie knew that for TOMS’ business model to work, consumers would need to buy in to an idea, not just a product. This concept also applies to the business-to-business side of the company. Earlier in his book, Mycoskie discusses the concept that people, such as vendors or distributors, are far more likely to give discounts and be flexible if they feel that they are making a difference in a community and not just benefitting one company.

#### COMPARISON AND ANALYSIS

Individual philanthropy and corporate social responsibility each have an appropriate role in impacting society. Both forms of social giving address fundamental socioeconomic issues such as healthcare and education. However, philanthropists and companies with CSR initiatives have markedly different ways of bringing about social change. There is no such thing as a perfect amount, method, or form of a donation, but there are ways to maximize how much it benefits the targeted region or group of

people. The following section addresses the positive and negative aspects of philanthropy and CSR and how those involved with social giving should act in order to achieve the most good.

**Autonomic Giving.** Philanthropists are wise to keep their giving practices separate from all other aspects of a business or charity. In a November 2011 *Wall Street Journal* special report on philanthropy, Michael Edwards explained that the separation of business and philanthropy is necessary. The article is not against the practices of CSR; instead, it warns against running charities as businesses. Edwards says of philanthropy, “In the end, donors to non-profits are not shareholders. They don’t outrank other constituencies. High-performing agencies are accountable not just to donors and regulators, but to those they serve” (Edwards R4). In other words, philanthropists should focus on making and giving money without micromanaging so that the organizations they support have the autonomy they need.

Philanthropists do the most good when they write a check and step away. Social problems typically have deep-seated issues and are not fixed by money alone. The aforementioned *Wall Street Journal* article goes on to say, “In the end, seemingly intractable social problems are better tackled through traditional grants with no strings attached, allowing people and groups to evolve solutions over time” (Edwards R4). Typically the sole purpose of NGOs and similar organizations is to address a specific issue for the general population or a general issue for a specific group of people. The singular missions of these organizations allow them to strategically direct their efforts instead of attempting to address multiple, often unrelated objectives. These



organizations work tirelessly to address problems and generally know the best solutions due to the focused research and passionate involvement of their dedicated employees and volunteers.

**Acquired Wealth.** Considering that so much good is being done through social giving, it is puzzling why everyone does not participate in some way. If people can be clothed, fed, given an education or a microloan to start a business from the generosity of others, why does it not happen more often? One of the biggest problems with philanthropic giving on an individual or corporate level is that not everyone is willing to share their wealth. There is a tendency of thought to wait to give. Although it is prudent to not live above one's means (including philanthropic giving), it is important to make financial giving a priority at some level early on in life.

By the time many people grow old, they are too attached to their money to relinquish much, if any of it to organizations or causes outside of their immediate circle of family. Following this train of thought means that most people either give one lump sum donation at the end of their lives or none at all. This means that philanthropy is not always a reliable source of finances for an organization. In the final film of Christopher Nolan's *Dark Knight* trilogy, an inner city boys' home is forced to kick the young men out at an early age because philanthropist, Bruce Wayne, ceased funding the institution. Although this example is set in a fictional narrative, the implications of the real life issue are felt in non-profit organizations regularly as they lose major donors.

**Incorporated Generosity.** Corporate Social Responsibility, on the other hand, incorporates regular giving into business in order to simultaneously sustain the business

and its social mission. Although many people will not individually write a check to support a mission, they will often buy a product if the proceeds will benefit an organization that seeks to address dilemmas in the world. There is tangible value for the consumer and the corporation when a trade occurs; even if that trade provides more benefits to one party. For example, Starbucks made a commitment to ethically sourcing their coffee beans completely by 2015. To accomplish this goal the company relies on Coffee and Farmer Equity (C.A.F.E.) Practices, which verify that both Starbucks and its farmers are treated properly. By 2011, Starbucks reached 86 percent of its goal (Starbucks 5). In addition to its ethical buying practices, Starbucks reinvests some of its profits into its suppliers to encourage small business growth as well as to protect the environment. According to the Starbucks Global Responsibility Report, the company “made nearly \$14.7 million in loan commitments to our current loan partners in 2011 while exploring innovative and new opportunities” (Starbucks 7). All of these efforts make Starbucks more successful as a business and increases brand loyalty from customers who are interested in companies that do more than selfishly increase profits.

Companies with CSR initiatives play a large role in building up the economy, as consumers will pay a premium price if they know that a portion of the profit will benefit a person in need. Nearly all commodities wear out in a relatively short period of time after which consumers begin to look for a replacement product or company. One of the easiest ways to build customer loyalty is for a business to get the customer to “buy in” to the heart and mission of the business. When a consumer understands, likes, and respects a company’s culture they want to be a part of sustaining the business.

Therefore, when the product wears out, consumers view the occasion as another opportunity to benefit society and explore the variety of products a socially minded company offers.

### *Structuring CSR*

According to research done by Heick Bruch and Frank Walter of the University of St. Gallen, there are two primary perspectives of corporate philanthropy, market orientation and competence orientation. Market orientation involves a focus on meeting the expectations of stakeholders by structuring the CSR around external demands. With this orientation companies emphasize improving marketing and sales, which can sometimes shift focus from fixing a social problem to increasing company profitability. Competence orientation focuses inward on aligning CSR with an organization's core competencies to maximize effectively the amount of positive influence it can have in society as well as within the business (Bruch 50). Because a company structures its CSR initiatives on its strengths, employees tend to be more invested in and committed to meeting the needs of society.

Regardless of the orientation, corporate social responsibility initiatives are as varied as the companies that institute them. The most common forms of corporate philanthropy are "cash donations given directly to charities; in-kind gifts of firms' products, services, use of facilities or managerial expertise; and cash donations given indirectly to charities through, for example a corporate-sponsored foundation (Maas 447). Typically, organizations tailor and align the CSR program to fit its already established mission.

Companies that have found success were often created based on philanthropic values. Although entrepreneurs are easily tempted to incorporate a giving strategy late in their business plan, it is far more beneficial to create a corporate giving culture from the start. Marc Benioff and Karen Southwick, authors of *Compassionate Capitalism How Corporations Can Make Doing Good an Integral Part of Doing Well* suggest that “When philanthropy is integrated within the corporate mission, it’s easier to find ways to help, and more difficult to stop helping when times are tough” (Benioff 17). Considering the knowledge, expertise, and leverage that companies possess today, Benioff and Southwick say that it is no longer acceptable to allow philanthropic giving to be an afterthought activity. The direct integration means more sustainable giving regardless of the economic climate.

Making service an integral part of the company culture is another avenue that allows for a unique bond to be formed between a business and the community in which it is located. Many companies encourage their employees to serve in some capacity in the community. Jim Steele, the president of Salesforce.com described this model of giving as the “integrated model of philanthropy,” meaning that the company goes beyond monetary donations and commits to giving employee time as well as corporate profits to improve the surrounding society (Benioff 15). Starting in 1998, National Australia Bank gave each employee sixteen hours to commit to volunteerism per year. Today this program results in approximately 15,840 volunteer days per year, in which NAB employees work with one of 400 community organizations such as the Salvation Army (“Volunteerism”). Corporate responsibility programs such as this dually promote

community development; internally, which benefits the company and externally, which benefits society.

**Research.** Although the benefits of giving outweigh the detriments, it is imperative that corporations comprehensively research the society and culture in which they wish to invest as well as the particulars of the need they are choosing to address. In a presentation for the Organisation for Economic Co-operation and Development (henceforth referred as OECD) Katherine Muoki discussed the opportunities and challenges surrounding Development Planning and Equality in Kenya. As suggested in the title, the purpose of the initiative was to improve the equality of citizens in Kenya post-independence. This project was funded with the intent to provide a holistic development plan addressing the economic, social, and political needs in the community. Even so the plan had to contend with “inadequate effective involvement of citizens, insufficient disaggregated data, and low capacity of communities to mobilize for resources, implement projects/programs, monitor and evaluate and manage projects” (Muoki). Corporate global giving is not as simple as writing a check or shipping a container of shoes. There must be an extensive amount of research and field-testing done to assess the most effective and respectful ways to give time, money, and resources.

As a general rule any individual or organization participating in philanthropic activities should pay close attention not just to the amount of resources being given, but also to how donations are specifically distributed. In the study *Talk the Walk: Measuring the Impact of Strategic Philanthropy*, the authors Karen Maas and Kellie Liket

discuss the necessity of keeping track of how funds and resources are used for philanthropic purposes. The article says, “When firms refrain from measuring their impact they could, next to wasting scarce resources, also provide fewer benefits or even burdens to society” (Maas 446). A suggestion is made to strategically donate so as to maximize the positive impact for both the organization and society.

**Negative Consequences.** A weakness of CSR is the temptation for a company to become so focused on their social mission that they lose sight of their business practices. There is a fine line to walk between focusing on internally making profits and externally benefiting people. Companies must be successful to sustainably and consistently share their proceeds. As soon as the cash flow decreases, companies are forced to limit or cease devoting time, services, and financial funding to projects to which they committed resources. Companies interested in using profits, human services, or products to improve a community must carefully structure a program that wisely uses its core strengths and capabilities.

Another danger of instituting corporate philanthropy within a business is that companies generally have both internal and external stakeholders to answer to whereas individual philanthropic efforts only affect the donor and their family (Bruch 49). Corporations must carefully structure both sides of the business to best support all stakeholders. Because of the complexity of finding that balance, many socially responsible businesses choose to remain private, like TOMS (Brown 2011). Doing so allows the company to focus on building a strong internal organization so that it may externally have the biggest impact on its mission.

Corporate social responsibility programs are singular as a method of charitable giving in that businesses exist outside the realm of political restrictions. As independent institutions, they are able to enter communities that may be otherwise unreachable by politically tied organizations. Of course they have to abide by the rules of local governments, but companies have the freedom to address whichever social issues interest them, whereas governments are often limited by politics to who they can assist or what problems they can solve. For example, Blake Mycoskie wanted to provide quality footwear to impoverished children, and he did exactly that without the help or restrictions of the United States government. Although there were logistical obstacles to overcome, stateside and abroad, as long as TOMS had shoes the company could proceed in giving.

TOMS is not a cure-all for outfitting the children of the world in footwear. In order to address the need in the most efficient way, the company will not partner with NGOs unless they can prove that have a minimum order of 17,000 pairs of shoes. While this means that large groups of children get shoes, the method also excludes smaller communities that are not targeted or reached by the Giving Partners. In this way CSR programs are limited. Businesses have to structure their giving programs based on their logistical restrictions.

#### PERSONAL APPLICATION

Philanthropic foundations are often better suited to focus in on the needs of a specific community because of the freedom these foundations have in giving their money. For example, the Rancho Arriba Vision Project (started by my uncle, Bruce

Beatty) partners with Fairview Village Church and Medical Missions International to repair and restore vision to citizens in a small village in the Dominican Republic. In a little less than one year the Vision project raised approximately \$30,000 through private donations as well as a corporate donation of \$20,000 from Johnson & Johnson (Beatty).

**Entrepreneurial Venture.** When brainstorming what to do for my two-year research project for the Olivet Nazarene University honors program, I decided that I wanted to do a hands-on project that would allow me to apply my research in a way that supported my undergraduate degree in International Business. For some time, I struggled with how to appropriately combine these elements. I realized that pouring my time and energy into something that I wasn't passionate about would be a waste. Two winters ago, in creating picture frames for Christmas presents, I determined that I enjoy creating abstract art and that many people appreciated my talents. Doing some preliminary market research showed me that there is a relatively open market for decorative picture frames.

In August 2012, I started a small business to benefit the Rancho Arriba Vision Project called *Double Vision*. So, inspired by Blake Mycoskie's encouragement to "start something that matters" I began to think about how, as an undergraduate university student, I could impact the world. I was already interested and involved in giving private financial donations, but I was interested in more sustainable sources of philanthropic activities. From doing research on the experiences of Andrew Carnegie and Blake Mycoskie, I had a solid starting point for how to strategically implement giving into a business structure. *Double Vision* is a business that sells wall and desk picture frames



that I embellish abstractly with pieces of old magazines. Approximately half of the proceeds from each frame sold are donated to the Rancho Arriba Vision Project. The way to maximize the profitability and contribution is to market *Double Vision* as a socially responsible company. Customers are more interested in buying artistically unique picture frames if they know that the money goes to more than a personal bank account.

As a business major I realized that it would be wise to create a business plan to carefully structure my business so as not to overlook any important details. The business plan was also entered in a business plan competition held at Kankakee Community College in June 2012, called Enterprise U (See Appendix A). Unfortunately I was in Australia at the time of the competition, so my parents presented my materials for me. Although I did not place in the competition, I received some helpful feedback. For this particular competition, the judges were looking for small businesses that would create jobs or directly impact the local community. As small business with relatively no start-up capital I was proposing to be the only employee and only hire contract labor for specific tasks (see Appendix A). Also, since the plan was to source frames from a wholesaler and personally decorate each product, there really was not any local community involvement for my proposed idea.

**Method.** As a small start-up company, I had very little capital to work with so I looked for the cheapest selling options that would reach my target market. I settled with etsy.com, a virtual marketplace where entrepreneurs can sell their hand-made goods, vintage items, and crafting supplies. Etsy.com charges a \$.20 fee per item for

every four months that it is listed. The seller sets up a PayPal account in order to accommodate debit and credit card payments. Using an online marketplace made sense for a small start-up such as *Double Vision*, because it is a larger entity that performs its own website maintenance and contracts with third-party companies for payment programs.

Other, by far more successful, avenues I used to sell the picture frames were at a craft bazaar held at Olivet Nazarene University and by taking special orders for friends. The bazaar required a \$20 refundable deposit fee as long as I showed up the day of the event. I sold five frames that day and handed out about twenty business cards to interested passers-by. Although the mission of my business did not actually sell more frames, it did catch peoples' attention and seemed to justify the price tag to them. It was obvious that the personal touch and communication greatly increased customer interest, resulting in more sales.

**Analysis.** A few weeks after the establishment of my Internet shop, I realized that I was not getting any traffic online, meaning that I did not have a strong presence in the marketplace at all. Even though I set up the Etsy shop with lots of keywords, pictures, and seller information, no one was aware of *Double Vision*. At this point, I decided that I would need to market myself if I wanted to sell anything. Because of budget constraints, I did not look into paid advertising, but rather tried word-of-mouth techniques. Unfortunately, these only got me so far and I quickly understood the phrase "little fish in a big pond". I found some unique business card paper at Staples and printed off fifty business cards to hand out whenever I could bring my project up in

conversation. The cards were metallic, silver and were made out of plastic, which made them stand out from other business cards. Also, inspired by Blake Mycoskie's *Start Something that Matters*, I gave myself the title "Head Framer" as another way to catch people's attention and hopefully be memorable.

Although the picture frame market is not very saturated, there is not a huge demand for unique, one-of-a-kind frames. Most people just buy a frame as they need one and do not do much product comparison or shopping around. Because frames are convenience products, they are typically only purchased as needed. Although the unique, artistic element of *Double Vision* frames is attractive, potential customers didn't actually buy unless they had a particular gift or picture in mind. However, despite my relatively low sales, I was able to donate \$51 to the Rancho Arriba Vision Project in 2012.

The greatest lesson I learned through this project is that entrepreneurial ventures require great amounts of energy, determination, time, and courage. For a start-up company to get to a stage of self-sufficiency it requires the founder to pour their heart and soul into the business; something that I did not want to commit to as a university student who was more interested in enjoying college life than starting and maintaining a business. If I wanted to make *Double Vision* my full-time job, I would need to devote time everyday to product promotion and product creation. I plan on continuing to create and sell the frames through Etsy because I have a passion to create art and I want to continue to support the work of the Rancho Arriba Vision Project; however I do not see this type of business becoming self-sustainable considering the

percentage of sales that I wanted to dedicate to giving away.

#### CONCLUSION

The great philosopher, Aristotle said of giving, “To give away money... is an easy matter and in any man's power... but to decide to whom to give it and how large a sum, and when, and for what purpose, and how, is neither in every man’s power nor an easy matter. And hence it is that such excellence is rare, praiseworthy and noble” (Aristotle 56). Organizations that successfully impact communities, are funded by men, women, and corporations that carefully make contributions based on how the money, service, or resource will benefit society. Philanthropists and businesses with corporate social responsibility programs must be cognizant of the potential dangers associated with charity. If the charitable donation will detrimentally affect the local economy it is better to not give anything or to restructure the gift to avoid causing problems.

There is no definitive answer to solving the problems of the world. Neither philanthropy nor corporate social responsibility alone will be able to completely eradicate the world of societal problems such as starvation, blindness, deafness, or poverty. This paper explored how Andrew Carnegie’s legacy of philanthropy, through his funding and establishment of public libraries and self-titled foundations, set a fantastic precedent for people to generously donate their surplus earnings to benefit society. Entrepreneurs such as Carnegie spurred a twentieth century movement of philanthropy that influenced the disbursement of wealth of modern day entrepreneurs as well as of moderate consumers.

Nearly ten decades after Carnegie decided to distribute his surplus wealth, the simple mission of the American shoe company, TOMS grabbed the attention of consumers; showing them that capitalism and philanthropy can go hand in hand still can have a positive impact on society when done responsibly. Social giving through individual philanthropy and corporate social responsibility practices has improved the lives of millions of people in the United States and throughout the world. Although as an individual I may not significantly impact society with financial gifts, I will continue to support companies and organizations that make giving a strategic aspect of how they function.

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APPENDIX A

# Business Plan For Double Vision

Submitted to  
Enterprise University

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May 30, 2012

## **I. Executive Summary**

I, Lauren Beatty, am looking to start a company that sees beyond profits and looks instead for how to meet the needs of local and global issues. Inspired by companies and organizations such as TOMS shoes, Newman's Own, and the Bill and Melinda Gates Foundation, I want to use my business to do good in the world. Though a bit lofty, my dream is to give away one billion dollars over my career. I hope to launch a company that creatively uses art to generate profits that will be used to fund health clinics in impoverished areas of the world. The issue that I am focusing on initially is vision loss.

Daily I take for granted the eyeglasses and contact lenses that I use. Without them, I wouldn't be able to read, study, drive, or adequately recognize my friends and family. Many people in the world are not blessed with the resources to properly equip themselves with such sight tools. Because of how important vision is to everyday life, I would like to help address this world health issue. My company DOUBLE VISION will generate profits by curating art via the internet and selling uniquely decorated table-top picture frames and donating a portion of the revenues to established organizations that diagnose and treat individuals that are in desperate need of eye glasses and sight-saving surgeries.

## **Statement of Purpose**

DOUBLE VISION is seeking \$5,000 of sponsorship or grant funding to assist in funding the start-up and initial operations of the for-profit portion of the company. The goal is to avoid paying interest on loans and instead fully devote capital to benefit the established non-profit organization. Two challenges that many non-profits experience in the constant battle of fundraising, the need to fund administration and the actual cost of fundraising. DOUBLE VISION is hoping to minimize these difficulties by sustaining itself through the enterprise of a for-profit company and volunteers to meet these needs. Having a source of funding for those cost will allow this non profit to put all or nearly all donated funds from outside sources to work in the charitable projects.

## II. DESCRIPTION OF BUSINESS

DOUBLE VISION will exist as a hybrid for-profit, LLC and non-for-profit 501(c) classified companies.

DOUBLE VISION Art is one aspect of the business. The management curates art via a website. Art created by artists is sold to both benefit charitable projects as well as to provide an additional marketing opportunity to the artists. Artwork would be held by the artists and shipped directly to the buyer. Little or no inventory would be held by DOUBLE VISION. Art curating would benefit both parties.

DOUBLE VISION Picture Frames is another aspect of the business that upcycles magazines and simple black frames into a unique product sold to customers via small boutiques as well as Internet marketplaces. This would be a product with low cost of materials and labor and would require small investment in inventories of both raw materials and finished products.

Both aspects of DOUBLE VISION will be providing unique, premium products. There is much room for growth in this area of the retail industry. Many customers look for distinct products that are one-of-a-kind when searching for home décor. DOUBLE VISION's products meet this need and give the company a competitive edge for this niche market.

Ms. Lauren Beatty will own 100% of the stock of DOUBLE VISION LLC, an Illinois corporation. The for-profit side is a separate entity to maximize flexibility for future financing, raising equity, or sale of all or a portion of the company. The for-profit will be set up to generate income and share appropriate expenses with the non-profit. A volunteer board will manage the non-profit portion of the company. Long term the non-profit would define and operate their own projects. Until the cost of paid and volunteer staff can be covered DOUBLE VISION will partner with existing organizations that have the capacity to handle the logistics. Funds raised will be given as a grant to such organizations.

DOUBLE VISION's initial goal is to use profits to benefit other non-profit organizations. Initially, DOUBLE VISION will donate profits to the Rancho Arriba Vision Project. This group has worked for the past year to open temporary clinics, diagnose, and treat patients of the Dominican Republic who need eye and ear care. On April 14, 2012 a clinic was held for 228 people, which recognized that 83 needed vision assistance and 28 needed hearing assistance. On May 15, 2012, seven patients received cataract surgery in Santo Domingo's Elias Santana Hospital. The group's total financial goal for this short-term project is \$50,000. As of March 2012, \$20,142 had been raised (approximately 40% of the needed total).

### **III. MARKETING PLAN**

All DOUBLE VISION Frames will have a card on the inside that explains the unique purpose of the business. These cards will have the DOUBLE VISION logo, motto, and a brief explanation of the vision of the company. A portion of the budget will be used to purchase cardstock and ink for printing. DOUBLE VISION already owns a used computer, printer, and supplies that will be used for printing.

The primary ways DOUBLE VISION Frames will attract customers include (1) Direct selling through local small boutiques, (2) posting products on websites such as etsy.com, and (3) word-of-mouth advertising from current customers.

There are a number of small boutiques in the Kankakee County area. DOUBLE VISION Frames will approach these businesses with the intent to be “partners”. The frames sold at these retail outlets will be sold for the same amount as those sold online. There will be less profits because of compensating the small boutiques for allowing DOUBLE VISION to sell the frames. DOUBLE VISION will commit to making sure the selected organizations receive money regardless of the amount of profits coming in.

DOUBLE VISION will open and operate an etsy.com account. This will allow potential customers to view the unique frames online before making a purchase. There is a small fee for selling merchandise on etsy.com that will be accounted for in the budget. Shipping and handling will be charged above the list price on etsy.com. As interest in the business grows, DOUBLE VISION will create its own website to handle purchases through. This website will also be where DOUBLE VISION Art will be managed from.

DOUBLE VISION Frames is a distinctive business idea that will spur curiosity and interest as the customer base expands. Happy customers generally talk up businesses that excel at meeting their needs. DOUBLE VISION is committed to running a reputable business with good customer service and integrity throughout all aspects of the company.

#### **Competition**

DOUBLE VISION does not foresee any direct competition for its products, however DOUBLE VISION does recognize that the concept is rather simple and may be recreated in the future. Based on preliminary research, there aren't other businesses that market one-of-a-kind picture frames on the low end of the consumer market.

#### **Pricing**

DOUBLE VISION will price its artwork and frames based on size, complexity, and cost. Prices will be justified to the consumers by promoting that they are buying into an idea, not just a product. Consumers are typically willing to pay a premium

price for a product when they know that it will help a cause in addition to perceived quality.

### **Location**

DOUBLE VISION runs its operations out of Lauren's parents' home and will continue doing so for the next 9-12 months. Currently inventory is low enough to be managed in the household and keeping it that way will save money on operational costs, especially in the initial stages of the business. Because of its distinct nature, DOUBLE VISION can be run from any location. A specific retail location is not necessary and relatively small office space will be sufficient. The company hopes to expand to a small office space to better handle sales and inventory as both increase in the next 12-24 months.

## **IV. ORGANIZATION PLAN**

### **Management**

Ms. Lauren Beatty grew up in Kankakee County. After graduating at the top of her class from Kankakee High School she began pursuing undergraduate degrees in International Business and Political Science at Olivet Nazarene University in Bourbonnais, Illinois. She will graduate in May 2013. Following graduation she anticipates being employed by other companies at least until DOUBLE VISION is able to support a full salary.

DOUBLE VISION Non-Profit: the initial executive officer would be a volunteer (fulfilled by Lauren Beatty). Within two years the company would have a paid executive officer.

### **Personnel**

DOUBLE VISION will hire part time contract labor for short-term assemblage and shipping purposes. On a small scale, the company does not need to staff any full time employees other than Ms. Beatty.

#### **Employee Profile**

Lauren Beatty is completing her undergraduate degrees in International Business and Political Science. In addition to her required college courses, she has taken art and anthropology classes. In the past two years she organized and led an awards program for over 600 students, teachers, and parents in Washington, D.C. and attended a Global Leadership Summit. Last summer she completed a ten-week International Business Institute where college students traveled through Europe, India, and China taking business courses and going on a variety of governmental, cultural, and corporate visits. This summer she is traveling to Australia for a six-week missions trip. She has participated in various SIFE (Students in Free Enterprise) projects throughout her college career and worked in retail in the local mall during high school.

## V. FINANCIAL PLAN

### Use of funds

The \$5,000 raised along with other funds and in-kind contributions will be necessary for the incorporation of the for profit and the non-profit, working capital and marketing.

The companies are committed to grow and generate income without taking on debt at this initial stage. Resources will be leveraged by ownerships efforts to find efficient and low cost means of accomplishing the first year operations. Having little or no payroll and rent expense in the first year will allow maximum funds available for growth and the charitable endeavors of the companies.

#### Beginning Balance Sheet Double Vision non-profit July1, 2012

Assets		Liabilities	\$ 0
Cash	\$ 800		
Supplies	\$ 200	Net Worth	\$1,000
Total Current Assets	\$1,000	Liabilities and Net Worth	\$1,000

#### Beginning Balance Sheet Double Vision for-profit July1, 2012

Assets		Liabilities	\$
0			
Cash	\$4,200		
Inventory, materials	\$ 100		
Supplies	\$ 200		
Office Equipment	\$1,000	Net Worth	\$5,500
Total Current Assets	\$5,500	Liabilities and Net Worth	\$5,500

APPENDIX B

