

Are Causes Driving Up Corporate Profitability?

By Mikel Smith Koon
January 2008

While the debate over whether or not the alignment of business and nonprofit missions increases profitability, the fact remains that an increasing number of companies are sponsoring nonprofit organizations through one or more avenues of support. According to Chicago-based consulting firm IEG, corporate sponsorships have been on the rise since 1990 and will continue to rise through 2008.

While data suggesting socially responsible businesses perform better is inconclusive, the trends tell us that social responsibility and mission support are to be taken seriously in performance metrics. Energy forecasts tell us that petroleum will be the main fuel source at least through the year 2100, but most oil companies are already investing high dollars for low return in alternative fuel sources for the distant future. Food companies are supporting the communities where their farmers live and work costing more in the short term. And retailers are dressing products in red, pink or yellow to support one of many causes from fighting AIDS in Africa to ending breast cancer to fighting cancer and living strong.

Over the last few years, the business media has started to track performance and identify trends regarding the relationship of profitability to causes and mission support. Since 2005, *Fortune* magazine has included corporate social responsibility as a factor in ranking the Fortune Global 500. Four years ago, BusinessWeek started rating America's most philanthropic companies. Money managers are confident that the socially responsible behavior of companies will lead to strong performance as \$2.3 trillion of U.S. managed assets, about ten percent of the U.S. total, are invested in companies that are highly socially responsible.¹

We have entered into a new generation of collaborations requiring more creativity and strategic thinking on both the nonprofit and for-profit sides. Nonprofit organizations and companies have become strategic partners toward a stronger and profitable future.

¹ Demos, Telis. *Beyond The Bottom Line: Our Second Annual Ranking of Global 500 Companies*. *Fortune*, October 23 2006.

