

Corporate philanthropist see donations as investments

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Raya Strauss Ben-Dror is no one's idea of a social activist. The diminutive, bun-wearing co-owner of the \$300 million Strauss food company – pioneers of whipped-cream Milky chocolate puddings and creamy Achla hummous – sat on the board of directors for seven and a half years, and with her brother Michael, ran the company that their parents, Richard and Hilde Strauss, founded in 1936.

Today, Strauss Fresh Foods, part of the Strauss-Elite group, is the first Israeli company to publish a glossy, one-inch-thick social accountability report cataloging the company's philanthropic activities, and Raya Strauss was the leading force behind the dairy company's decision to go public about its communal and philanthropic activities.

While Strauss isn't DuPont or Exxon, industrial giants with former reputations as the world's worst polluters, or, for that matter, milk maker Tnuva and infant formula manufacturer Remedia, locals with reputations to repair, the dairy maker, like scores of other Israeli companies and firms in the local business sector, is thinking about something beyond profit margins and revenues. It's called corporate philanthropy, and it's a trend that is growing even as the local economy continues to wiggle its way out of a continuing recession.

What's happening in Israel is a combination of social responsibility and income gaps, says Tali Aharoni, the founder of Maala, a non-profit membership organization promoting corporate social responsibility in Israel.

"Some of it is Jewish tradition, but it's also the management trends of the modern world, in which companies are sometimes stronger than governments," says Aharoni, who was a senior manager at public relations firm Gitam Porter Novelli before establishing Maala five years ago. "With strength comes responsibility. We talk a lot about the license to do business, and your business behavior is part of that license. Israeli companies are seeing that this is part of doing business."

The concept that business has obligations to society beyond making money is not a new theory. Broad-minded captains of industry, both here and abroad, have long talked about doing good with the money they've earned. In Israel, wealthy industrialists and CEOs always donated to their favorite causes, says Shira Herzog, director of the Kahanoff Foundation, a private Canadian foundation that invested seed money in Maala as part of its Israel activities. "There is more happening in Israel in quantity and

quality," says Kahanoff. "The expectation regarding such involvement has increased both in terms of the peer community and the public." The difference today is that proponents of corporate social responsibility and philanthropy want to combine profits with good deeds. The premise is that companies that advocate social responsibility will outperform their competitors by forging new paths, reducing risks, involving their workforces and creating stellar reputations that resonate with customers and investors. It's an idea that is catching on here; due to Israel's constant awareness of what goes on globally, as well as the government's steady retreat from areas where it was previously the sole provider.

"The government is cutting back and industrialists see that if they don't do it, the money won't be there and that's the private sector's obligation," says Benny Gidron, a professor who researches the non-profit sector in Israel, also known as the third sector, and directs the Center for Third Sector Research at Ben Gurion University.

To that end, organizations like Maala and Matan (United Way Israel) focus less on the amount of money donated and more on the community involvement of their member companies. At a recent Maala conference in Tel Aviv, one half hour out of the four-hour program was dedicated to roundtable discussions about the achievements and difficulties faced in each participant's community involvement.

Maala, which is a member of BSR, Business for Social Responsibility, a US industry group formed ten years ago with about 450 corporate members including Wal-Mart, Microsoft and General Motors, focuses on seven areas in corporate social responsibility: community relations, workplace, environment, human rights, marketplace, business ethics and social accountability. But from the start, Aharoni found that the easiest entrance into the Israeli companies was by emphasizing strategic corporate community investment, because that has become the most dire need in Israeli society. The growing income gap, brought about partially by the boom in the hi-tech sector and the sudden wealth of young Israelis, was something that companies were well aware of, and wanted to respond to.

"In a market, you have to find the need," says Aharoni. "I went to companies and I showed them that they were giving money but not making any impact. They couldn't explain why they were doing what they were doing." Maala teaches its 36 members to look at their donations as investments, not as contributions. But in order to see it that way, the contributions needed to demonstrate a fiscal and communal return. "That spoke to them," she added.

Matan, a member of United Way International, functions similarly. Established in 1999 by Shari Arison, it is a global organization that aims to build corporate responsibility for the community. Arison, who inherited her fortune including the controlling share in bank Hapoalim from her father, tycoon Ted Arison, funds Matan's operations, but the organization raises money from Israeli companies, actively involving the participating companies in their local community projects.

Ironically, what has somewhat eluded both Matan and Maala is how to involve the local hi-tech industry in their do-good works, despite their influence on the entire sector. Matan attracts both white-collar and blue-collar firms, says Ahuva Yanai, the organization's executive director. While Maala also counts

communications, software and cellular firms among its members, the hi-tech industry is harder to involve in the third sector because their customers aren't in Israel.

"We went first for the companies with direct contact with customers and products, whose market is in Israel and who vie for the hearts and pockets of Israel consumers," says Aharoni. While hi-tech managers and entrepreneurs are interested in philanthropy and volunteering, many do it individually and not as part of the company policy. "We haven't succeeded with that dissonance," she added.

The measured entrance of hi-tech to the corporate philanthropy community is a natural progression, says Yadin Kaufmann, a founding partner at venture capital fund Veritas Venture Partners. It wasn't a foregone conclusion that some of the wealth created in the hi-tech sector would be channeled to philanthropic activities.

"People who have been sweating it out for years first take care of their dreams, and then they think about broader societal needs," says Kaufmann. "A lot of the money in hi-tech was new, belonging to people who weren't used to this kind of wealth."

Two years ago, Kaufmann founded Tmura, the Israeli Public Service Venture Fund, an affiliate of the US Entrepreneurs' Foundation, which solicits donations of company stock equal to half a percentage to 1 percentage of equity from young startups. When the startups mature and have successful 'exits' – initial public offerings or acquisitions – the equity realized from the sale of the stock is donated to Tmura's list of charitable initiatives. With nearly 25 companies contributing stock options to Tmura, as well as contributions ranging from \$10,000 to \$50,000 from Israeli venture capital funds and service providers, Tmura hopes to gain at least ten companies from the portfolio of each venture capital fund.

For startups, says Lipner, it's an effective way to give charity, without affecting cash flow. If the startup makes money, then the community wins. But the model will only work if the companies get involved in the projects receiving their equity, warned professional philanthropists.

"[Israeli companies] see their involvement as an investment," says third sector professor Gidron. "It's not altruism, but like a venture capital fund, they see it as added value, and therefore they want evaluations and assessments. They want to show that they have made gains and advances and not just given money."

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