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LEADERSHIP
By Stacy Perman

Tiny Outfits, Big Hearts

Small businesses can't match the charitable budgets of large companies, but that doesn't mean their impact can't be just as vital

In the wake of last year's deadly tsunami, New York restaurateur William Jack Degel felt compelled to help with the massive relief effort in any way he could. So the owner of Uncle Jack's Steakhouses decided to donate the proceeds from all his January and February dessert sales to benefit survivors.

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Alone, he expected to give about \$20,000. But eventually, he began reaching out to other restaurants, and Sweet Relief was born. Now 50 restaurants in eight states have earmarked between 25% and 50% of their dessert sales in an effort to raise \$250,000 for CARE, a global poverty group. "A big company can afford to give \$30 million," Degel says. "But if small businesses collaborated as a whole throughout the U.S., we could beat out the Big Business donations."

MAKING A DIFFERENCE. When tragedy strikes, giving tends to strike back even harder. At large corporations, there are deep pockets to tap. Following the tsunami, corporate donations -- among them, Pfizer's (**PFE**) \$10 million, ExxonMobil's (**XOM**) \$5 million, and Cisco's (**CSCO**) \$2.5 million -- threatened to outpace the U.S. government's initial pledge of \$35 million -- later bumped up to at least \$350 million.

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But away from the headline-making multimillion-dollar checks -- as well as the headline-making tragedies -- small-business owners continue to dream up their own creative ways to contribute. Without their own foundations, employee gift-matching plans, and in some cases, entire philanthropy departments, individual small businesses cannot flex the same kind of charitable muscle as corporate giants. But their collective impact does make a difference, particularly within the communities they operate.

Most of them have found such acts of kindness to be an important part of doing business. Besides engendering good will among clients and employees, it helps raise visibility, burnish reputations, and can even bring in new business.

MAXIMUM IMPACT. According to a 2002 national survey sponsored by the Better Business Bureau Wise Giving Alliance, 91% of all small businesses with between 4 and 99 employees support charitable organizations on some level, whether it's outright cash gifts, fundraising for the local hospital, or sponsoring a Little League team. "They recognize the importance in supporting causes in their communities," says Bennett Weiner, the alliance's chief operating officer.

One way some philanthropically minded firms have maximized their impact is by establishing a donor-advised fund (DAF), through a public charity. About 645 nonprofit community foundations nationwide have set up tax-deductible DAFs.

There are some variations, but DAFs generally require a minimum initial donation of \$5,000, usually made up of cash, stocks, or real estate. New income can be added to the funds at any time. The assets are pooled and invested by professional money managers (both the donation and any money earned are tax-exempt). They are then distributed among a number of nonprofit charities in a broad spectrum of fields in the arts and humanities, education, health, and social services. For example, the New York Community Trust manages \$1.8 billion in charitable assets, made up of more than 1,700 funds. In 2003, the trust made \$118 million in grants.

GIVING MADE EASY. Some foundations allow the donor to name which charities may receive a grant. The foundations handle all of the administrative, legal, and investment duties, and many have research libraries that can help in choosing partner charities.

About five years ago, law firm Chester Willcox & Saxbe established a DAF with its hometown Columbus Foundation of Ohio, which manages \$800 million in assets and gave out more than \$54 million in grants to some 1,400 organizations last year. The partners of the firm, which has a staff of about 60, established a fund to which they contribute \$50,000 annually.

Last year, they distributed \$20,000 to groups including the Legal Aid Society, the American Heart Assn., and the local cancer hospital. "The Columbus Foundation is a great resource for all of us, with a minimum of the administrative headache," says Tony Kingston, a partner. "It's a vehicle to give to and a conduit to give out of."

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LEADERSHIP

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Tiny Outfits, Big Hearts [Page 2 of 2]

BEYOND DEDUCTIONS. Because tax laws change each year and vary from state to state, small-business owners should typically consult a tax professional or check the IRS's Publication 526 on charitable contributions, available online at www.irs.gov, before making donations.

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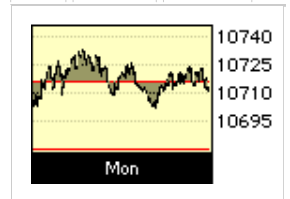


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Although in some cases there are no added tax benefits beyond regular business deductions, many entrepreneurs have found their charity can have a positive, if largely unintended, effect on the bottom line.

Since establishing Landis Communications, 15 years ago, president and CEO David Landis has made sure that charitable giving was a component of the culture at his San Francisco public relations firm. "While the economy has ebbed and flowed, we've had a variety of policies," he says. "But we've always given back." That effort has included direct financial contributions, discounted fees to non-profit clients and pro-bono work.

CIVIC-MINDED. For starters, each year the firm gives about 5% of its revenue to a number of organizations. Last year, Landis says that his 12-person firm donated \$60,000 to organizations such as Planned Parenthood and the Society for the Prevention of Cruelty to Animals. The firm always makes an annual donation to the nonprofit clients on its roster. "It shows that we appreciate them, and that they appreciate us," says Landis.

Three years ago, Landis Communications did the PR

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for the renovation of the city's Union Square, pro bono. "From a civic point of view," he says, "the employees felt good about what they were working on, and on top of that, we got business leads." Indeed, one of the area's retailers ended up hiring Landis for a national account.

One of the most traditional ways that small businesses have contributed is by giving their time and expertise. Owen Cleaners, a family dry-cleaning business in Paducah, Ky., started collecting used winter coats 18 years ago, cleaning them for free and then distributing them to needy children.

"ANNUAL RITUAL." We've probably cleaned more than 84,000 coats," says David Perry, who owns and operates the 85-year-old company, which boasts eight locations and 55 employees. "It's like an annual ritual here."

Perry estimates that he spends about \$7,500 a year on the Cal's Coats for Kids coat drive. Some employees volunteer their time while others get paid overtime. But, he says, "I don't really consider the tax deduction as part of the equation." His philosophy? "Every gift obviously adds up."

When it comes to small-businesses charity, even a little ripple can create a big wave.

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Perman is a reporter for BusinessWeek Online in New York
Edited by Rod Kurtz

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