Corporate philanthropy is rarely just an expression of a company’s altruistic desire to contribute to public welfare—it has become an integral part of a corporation’s business plan. Companies not only receive tax breaks from grantmaking, they can also generate publicity and change public perception of company policies and actions. The 2004 Cone Corporate Citizenship Study shows that 80 percent of Americans care whether or not companies are good corporate citizens. The most common response by participants (12 percent) of a strong example of a good corporate citizen was Wal-Mart. Wal-Mart’s public persona has changed

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over recent years and according to Cone, “We believe that the response to our question shows that Wal-Mart's promotion of their community philanthropy is breaking through to some as corporate citizenship.”

According to Giving USA 2004, in 2003 corporations and their foundations contributed $13.5 billion in cash and in-kind donations to charities, a 4.2 percent increase from 2002. The Foundation Center reports that in 2003 the Wal-Mart Foundation was the 51st largest corporate foundation based on assets and the second largest based on total giving. However, because corporations also make donations independent of their foundations, it is difficult to calculate and rank corporate givers. While the Foundation Center ranked the Wal-Mart Foundation as the second largest corporate giver of 2003, based on the foundation’s IRS 990-PF filings, Business Week ranked Wal-Mart as the overall largest corporate giver, using a combination of direct corporate gifts and corporate foundation donations. According to Wal-Mart, the Wal-Mart Foundation is now the largest corporate foundation by total giving, having reportedly donated more than $170 million in 2004, up from $101 million in 2002. Does this nearly 70 percent increase in its cash donations reflect the increasing generosity or responsible corporate citizenship of Wal-Mart? Or does it instead reflect an attempt by the world’s largest retailer to deflect the increasingly harsh criticism that it now faces?

With more than 4,800 stores and revenue exceeding $288 billion each year, Wal-Mart is now the world’s largest private employer with 1.4 million employees worldwide. As Wal-Mart has grown to dominate the retail market, it has come under harsh criticism for being bad for labor, the environment, the economy, businesses, communities, women, and more. According to USA Today, Wal-Mart was sued 4,851 times in 2000 and had 9,400 open cases. Over 100 unfair labor practice charges have been filed against Wal-Mart throughout the country in the last few years, with 43 charges filed in 2002 alone. Since 1995, the U.S. government has been forced to issue at least 60 complaints against Wal-Mart through the National Labor Relations Board. Most recently, in March 2005, Wal-Mart agreed to pay $11 million to settle federal allegations it used illegal immigrants to clean its stores. In addition, Wal-Mart is now the defendant in the largest sex-discrimination class-action lawsuit ever, estimated to represent over more than 1.5 million women that have been employed by Wal-Mart since 1988.

As negative press has increased regarding its labor policies and its deleterious impact on local communities, its ambitious expansion plans have been met with roadblocks. While the Cone Research Study shows that Wal-Mart has been successful in portraying itself as a good corporate citizen, it acknowledges that consumers are receiving and giving mixed messages about Wal-Mart. While their study shows a growing number of positive perceptions of Wal-Mart, other studies show the opposite. “For example, recent research noted that Wal-Mart fell five spots to 28th in ranking by the Reputation Institute, and it was among the five companies receiving the most negative ratings for rewarding employees fairly.” In response to the increasing amounts of criticism, in late 2004 Wal-Mart launched an unprecedented multi-million-dollar ad campaign, defending its labor policies and extolling its positive impacts on communities, including the work of the Wal-Mart Foundation.

The Wal-Mart style of philanthropy emphasizes its claims of being a supporter of families and part of the community. Rather than focusing on nationwide philanthropic campaigns from its headquarters in Arkansas, the Wal-Mart Foundation distributes the vast majority, over 90 percent according to its own figures, of its funds through its local stores. Rather than large multi-million dollar contributions, the Wal-Mart Foundation makes over 100,000 separate contributions every year, ranging from $100 to $5,000,000, averaging about $1,000 each grant. By giving directly to local communities, Wal-Mart creates the perception that it is part of the community, rather than a large, impersonal corporation that could be doing more harm than good.

The way the Wal-Mart Foundation functions is distinctive in the world of corporate philanthropy. Wal-Mart contributes a lump sum of over $100 million to its foundation each year, the majority of which is distributed to each Wal-Mart store and distribution plant, where grant
decisions are made by the store or plant manager. According to the Wal-Mart Foundation website, the philosophy behind this decentralized philanthropic method is that “In our experience, we can make the greatest impact on communities by supporting issues and causes that are important to our customers and associates in their own neighborhoods. We rely on our associates to know which organizations are the most important to their hometowns, and we empower them to determine how Wal-Mart Foundation dollars will be spent.”

Grants made by managers must meet the general guidelines set up by the Foundation, which leaves store and distribution plant managers with a great deal of autonomy and little oversight in their grantmaking. One of the few guidelines in place is the prohibition of funding any organization or project that benefit people outside Wal-Mart communities. This restriction limits the recipients of Wal-Mart’s philanthropic efforts to only those who are or may be Wal-Mart customers or supporters. Wal-Mart also prohibits store managers from funding organizations outside the United States, ignoring the communities that produce the majority of its products while concentrating on those communities that purchase them.

While Wal-Mart claims over 90 percent of its grants are made directly through individual stores—and despite the relative autonomy Wal-Mart managers have in the grantmaking process—Wal-Mart at the corporate and foundation level still has the ability to influence where individual store contributions go. When Wal-Mart makes corporate commitments to charities such as the United Way or the Salvation Army, some of the funding is given directly from the foundation at the corporate level, while other amounts come from individual stores and go to their local branch of the charity. While these grants are partly made by individual stores, there is still corporate guidance in the decision-making process.

Funding of religious institutions also differentiates the Wal-Mart Foundation from other large corporate foundations such as the Ford Motor Company Fund and the AT&T Foundation. Ford’s policy explicitly bans the funding of “religious or sectarian programs for religious purposes.” AT&T will only fund “nonsectarian and non-denominational” causes. Wal-Mart, however, prohibits the funding of “faith-based organizations whose projects benefit primarily or wholly their members or adherents.” Wal-Mart Foundation President Betsy Reithmeyer states that, “We try to serve community needs. Oftentimes it has been the faith-based organizations that have stepped up to meet that need.” Churches and other houses of worship receive a large percentage of the Wal-Mart Foundation grants. Some of this funding is directed toward education in the form of scholarships to private religious schools. Walton family members, including the widow and children of Wal-Mart founder Sam Walton, are some of the largest financial backers of school voucher initiatives around the country.

The sheer size of the Wal-Mart Foundation makes it incredibly difficult to track where Wal-Mart Foundation grants go, for what purpose they are intended, and how the money is actually used. As result of the fact that the Foundation makes well over 100,000 grants each year, the IRS 990 filings by the Wal-Mart Foundation for the tax year ending January 2003 was 2,145 pages long. The immense size of these documents alone makes oversight of its action difficult, but exacerbating the situation is the fact that the Foundation fails to meet IRS disclosure regulations and only lists the grant recipient name and the grant amount. It fails to provide information such as the address of the grant recipient and the purpose of the grant, which are required by current federal laws and regulations. This lack of transparency into where the Foundation funds are going makes the possibility of oversight and accountability—either for a member of the general public or a government official—minimal.

It is important to note that while Wal-Mart does disclose, although incompletely, cash donations made by the Foundation, it is not required to disclose other donations made by the corporation itself or “in-kind” donations of products or services. NCRP has long advocated for greater transparency and government oversight in the area of corporate philanthropy, while illustrating the ways in which corporate philanthropy has been misused and mishandled. The research NCRP has been able to accumulate on the philanthropic actions of Wal-Mart reaffirms earlier conclusions, including the assertion that “corporate philanthropy can be viewed as government-subsidized advertising for for-profit corporations” and that the Securities and Exchange Commission (SEC) needs to adopt disclosure requirements for all corporate philanthropic donations.

While Wal-Mart continues to proclaim itself a strong corporate citizen that works to meet community needs, it has continuously ignored and circumvented the demands of communities around the country. From California to New York, communities worried about the possible
negative effects of a new Wal-Mart in their town have been working to prevent Wal-Mart developments. Wal-Mart has continuously marginalized the concerns raised by these community groups, claiming that the voices working to prevent the Wal-Mart development do not represent the community, but are rather the work of national labor interests.

When city and county officials have stood in the way of a new Wal-Mart development, Wal-Mart has attempted to circumvent the power of these community leaders; the best example of which occurred in Inglewood, California, in 2004. When the Inglewood City Council blocked Wal-Mart’s plan to build a store “the size of 17 football fields,” Wal-Mart responded by funding and running a ballot initiative that would have “bypassed the government and allowed the construction without the traffic reviews, environmental studies or public hearings required of other developments.” In the end, the Wal-Mart backed initiative failed with only 39 percent of the votes supporting Wal-Mart, despite a campaign that included employees from Wal-Mart stores in neighboring communities handing out free meals to residents of Inglewood.

More recently, Wal-Mart announced that it will be building two separate stores in Dunkirk, Maryland to circumvent a local county regulation that limits single stores to a maximum of 75,000 square feet. Ordinances limiting the size of single stores, usually referred to as ‘Big Box Ordinances,’ have been one of the most common and successful ways local communities have prevented the expansion of Wal-Mart into their communities. Although these ordinances apply to all large retailers, such as Target and Home Depot, they are often specifically targeted at Wal-Mart which has in the past refused to build stores smaller than 100,000 square feet and whose Supercenters can be larger than 200,000 square feet.

When Dunkirk community members learned of Wal-Mart’s intent to build a new store in their community, they lobbied their local government and last summer the county passed its own ‘Big Box Ordinance.’ However the release of Wal-Mart’s new plans for their Dunkirk location marks a change in Wal-Mart’s strategy and philosophy. Despite the increased costs of building and running two separate stores, Wal-Mart will build one 74,998 square foot store (just 2 sq. ft. shy of the county limit) and a 22,689 square foot garden center next to it. Because each will have its own utilities, entrance, and cash registers, it will count as two separate stores, thereby circumventing both the county regulations and the desires of community members.

Aside from its disregard for community interests, needs, and wants; is Wal-Mart’s philanthropic style good for nonprofit organizations? Its focus on small donations directly to community programs is certainly unusual; but is it the best way to maximize the effectiveness of the vast amount of money the Wal-Mart Foundation controls? Are small grants to hundreds of different organizations the best way to benefit a community, or would larger grants to a select number of organizations effect more change? For example, in 2002 the Wal-Mart Foundation, through its program ‘Volunteerism Always Pays’ made over 33,000 individual grants of $100 a piece. How much does a grant of $100 really impact an organization, and more importantly, how much does it actually affect a community compared to the possibilities of larger grants?

Although Wal-Mart’s desire to fund a large variety of community programs is in and of itself not a bad idea, given the amount of money that the Wal-Mart Foundation controls, the potential exists to effect much more change than it currently does.

While the effectiveness of the Wal-Mart Foundation funds may be questionable, the benefits to Wal-Mart, the corporation, is much more concrete. While making small grants to a large number of charities may not maximize the effectiveness of its funds for charities themselves, it does maximize the benefit for its own corporate image. By contributing to a variety of local charities, Wal-Mart is able to present itself as an omnipresent community supporter and a good corporate citizen. As the Cone research survey shows, Wal-Mart has been able to maintain a reputation as a good corporate citizen, even as negative information about its corporate practices gain wider circulation. The work of the Wal-Mart Foundation has been integral in maintaining a positive image of the corporation. The question then is, does the desire of Wal-Mart to portray itself as a community member and to play down the increasingly harsh criticisms of its corporate practices prevent the Foundation from being as effective and influential a member of the philanthropic community as it could be?

Wal-Mart—like all corporations—receives tax-breaks for its contributions to its foundation, as well as its other corporate philanthropy, which raises the question of why isn’t there more transparency and government oversight of corporate philanthropy? In the case of Wal-Mart, the facts that its Political Action Committee is the largest corporate contributor to the

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Republican party and that the Walton family contributes mainly to conservative causes and politicians, raises concerns as to what else the corporation may be funding independent of its foundation.

Although charitable donations made by corporate foundations are disclosed to the public, contributions made directly by the corporation do not have to be reported, making it difficult to track the true amount and impact of corporate philanthropy. NCRP continues to recommend that the SEC adopt disclosure requirements for all corporate philanthropy donations, in-kind or cash, through a foundation or directly from the corporation. Such a policy would help restore confidence in corporate America, allow researchers to better understand a significant piece of U.S. private giving, and empower advocates to work to make corporate philanthropy more fair and responsive to the country’s neediest and most disadvantaged citizens.

Notes
1. http://www.coneinc.com/Pages/pr_30.html
2. USA Today, August 13, 2001

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Available Now
Funding The Culture Wars: Philanthropy, Church and State

NCRP has issued a new report on the connections between conservative foundation grantmaking and the politically influential evangelical movement. Funding the Culture Wars: Philanthropy, Church and State clearly shows how strategic grantmaking is being used to promote “traditional family values” and stances on issues such as abortion, same-sex marriage, stem cell research, school prayer, and public displays of the Ten Commandments.

Funding the Culture Wars analyzes nearly 3,200 grants valued at $168 million that 37 foundations made to 700 evangelical grantees from 1999 to 2002. Its findings raise important questions related to the public accountability of religious nonprofit organizations. As these organizations grow in financial strength and become more politically active, they merit serious and careful examination and discussion.

Print editions of NCRP’s new report, Funding the Culture Wars: Philanthropy, Church and State, and previous conservative grantmaking research reports (Axis of Ideology and 1997’s Moving a Public Policy Agenda) can now be ordered online at www.ncrp.org or via telephone at (202) 387-9177, ext. 20 at the cost of $25 per copy ($12.50 for NCRP members, and free for journalists).