

Beyond THE Bottom Line

Minnesota set the standard for corporate philanthropy decades ago, but now businesses are feeling the pressure to give more than money.

By Liz Fedor

In 1976, when Jimmy Carter was waging a successful campaign for the White House, leaders of 23 Twin Cities businesses planted a stake in support of stakeholder capitalism. They formed the 5 Percent Club—publicly pledging to give 5 percent of their pre-tax earnings to community causes.

Their philanthropic endeavor lives on as the Minnesota Keystone Program, which creates peer support, and some pressure, for businesses to be good corporate citizens.

Historically, businesses made money and shared some of their profits with charities. Today, there is an evolution underway in philanthropy in which the corporation often is an actor in devising solutions to social problems. Some large companies have foundations, while others have well-developed corporate giving and volunteer programs. Instead of merely writing checks, they are forming partnerships with community nonprofits and leveraging their social and financial capital to make a greater difference in addressing pressing issues such as affordable housing.

To incorporate the ethos of working for the common good into company culture, some Minnesota businesses are organizing themselves as public benefit corporations. It means their boards look beyond bottom-line profits and take community stewardship into account when leading the companies. In effect, it's a blurring of the lines between the for-profit and nonprofit sectors, suggesting both have roles to play in tackling community problems.

Jacquie Berglund

Jacquie Berglund is founder and CEO of Finnegans Brew Co., which donates all of its profits to hunger relief in the markets where its craft beer is sold. Last year, Berglund opened the Finnegans Brewery & Taproom in Minneapolis. The Elliot Park complex includes the Finnovation Lab, an entrepreneurship incubator for mission-driven businesses.

Question Yours was the first beer company in the world to donate 100 percent of its profits to charity. Sixteen years later, with mounting competition, you opened a brewery and taproom. How does a benefit corporation set itself up for growth?

Answer We decided to go big or go home, but that meant we needed to raise capital for the brewery. We needed investors, and that's complicated for a 100 percent donation model business. So we changed our structure. I looked to Newman's Own—the longest-running benefits company—for advice. They've really taken me under their wing, and any time I have questions, they are there to help.

The new structure is a bit more complicated but better positions us for growth and to increase our giving. FINNEGANS Brew Co. is a new company created to brew the beer and operate the brewery and taproom through a licensing agreement with Finnegans SBC (specific benefit corporation), which continues to donate 100 percent of its profits. Royalties from the brewery go to the FINNEGANS Community Fund, which is dedicated to alleviating hunger. In a nutshell, this model—the Newman's Own model—allowed us to get working capital into the business and still be true to our mission.

My competitors tend to think I'm nuts. But I'm driven by my passion to prove that you can do well and do good—running a successful business and benefiting others are not mutually exclusive. And this recent expansion shows you can scale a social business model. We've already made a \$1.3 million impact since 2003. We want to be a catalyst for others. With our new Finnovation Lab, we're growing, supporting, and launching social businesses. We're seeing more and more entrepreneurs saying, "We want to do something good, too." Right out of college, they're launching socially minded businesses. It's so inspiring, and we're here to guide them.

Hands-on philanthropy

Social Venture Partners (SVP)

Minnesota is an organization that connects for-profit businesses with nonprofits serving youths. The nonprofits need money and volunteers to increase the number of young people they can help.

Employees are asking for more skills-based volunteering opportunities, says Ann Herzog-Olson, executive director of **SVP Minnesota**. She emphasizes that they want to be part of “engaged philanthropy,” not merely associated with a financial contribution.

Cookie Cart, a nonprofit that teaches teens job skills through a cookie-making operation, is one of six nonprofits supported by SVP Minnesota. It was founded in 1988 in north Minneapolis after a Catholic nun welcomed young people into her kitchen to bake cookies, giving teens their first job experiences. SVP Minnesota decided to help Cookie Cart after it developed plans to expand to St. Paul.

Cookie Cart’s second location opened in May on Payne Avenue on St. Paul’s East Side. SVP Minnesota business volunteers worked with the nonprofit on handling the complexity of running a bakery business on both sides of the Mississippi River. “Now we are also helping them with their business model in general,” Herzog-Olson says.

In 2018, **SVP Minnesota** made grants totaling \$150,000 to The BrandLab, Cookie Cart, Elpis Enterprises, Roots for the Home Team, Spark-Y, and World Savvy. “We believe in teens,” she says. “A return on investment is really high if we can help them stay on their right path or turn their life around. If that doesn’t happen, then it gets to be pretty tough in life.”

Through its pro bono

consulting by business volunteers, SVP Minnesota aims to double the size of the youth-serving nonprofits within three years. The business professionals provide expertise in strategic planning, financial modeling, efficient operations, effective marketing, and fund development.

Seven companies provided financial support to **SVP Minnesota** in 2018—3M Co., Factory Motor Parts, Lube-Tech, Lurie LLP, Marsh and McLennan Cos., Meristem Family Wealth, and Varde Partners. In January, C.H. Robinson is becoming a corporate partner. About 135 people are partners in the work of SVP Minnesota. “A high percentage provide their skills as volunteers and work directly with the nonprofits,” Herzog-Olson says.

Big dollars, big impact

While SVP Minnesota is multiplying its financial impact through its volunteer corps, the Wells Fargo Foundation has the luxury of making a big national footprint through its huge grantmaking program.

At \$286.5 million, the Wells Fargo Foundation was the No. 2 corporate-cash giver in the United States in 2017, according to a survey from the *Chronicle of Philanthropy*.

Despite that largesse, foundation president Jon Campbell had been lobbying top executives to boost philanthropic giving. Not long after Congress passed a corporate tax cut in late 2017, Campbell says he got a memorable phone call from Wells Fargo CEO Tim Sloan.

Going forward, Sloan told Campbell that the

financial services giant would give 2 percent of its after-tax profits to charitable causes. Campbell, a Byron, Minnesota, native who has worked for Wells Fargo for 41 years, says the bank increased its 2018 giving to about \$435 million.

Campbell says this large increase in philanthropic giving is not simply a means to regain trust with customers after several high-profile scandals. Multiple federal entities have levied massive penalties against Wells Fargo for engaging in practices in recent years that harmed consumers. “We know we made mistakes,” Campbell says, acknowledging it will take Wells Fargo a long time to rebuild its reputation.

“We’ve always been highly generous” in the philanthropy arena, he says. In Minnesota, for example, he says Wells Fargo has worked to expand the supply of affordable housing. Through the NeighborhoodLIFT program, the company partnered with nonprofit organizations to provide individuals or families with down payment

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Minneapolis Regional Chamber

assistance for home purchases. The down payment ceilings were \$7,500 or \$15,000 in the two rounds.

In the first funding round, it assisted 422 homeowners, and in the second round it aided 458 homeowners. It has had long funding relationships with Twin Cities Habitat for Humanity and

“It is moving from writing checks to solving problems.”

—Jon Campbell,
president, Wells Fargo Foundation

Project for Pride in Living.

Wells Fargo made grants to about 14,500 nonprofits across the nation in 2017. The awards had a positive social impact. But Campbell adds there is a secondary benefit for companies with substantial corporate giving programs. Being a good corporate citizen appeals to current and potential employees. “Team members expect and want their employers to be values-based and to deliver on things that they also think are important,” Campbell says.

While nonprofits of all kinds are eager to receive grants, Campbell says that Wells Fargo and other corporate funders are examining how they can have greater impact. “It is moving from writing checks to solving problems,” he says, which can translate into a more focused giving strategy with fewer and larger grants.

“We are right at the pivot point,” he says. “Are there areas where we can take our total efforts and actually make a difference? We haven’t chosen what that is yet.”

However, an October announcement illustrates what intensive grantmaking looks like within a long-term strategy. After meeting with 20 nonprofits over six months in Washington, D.C., Campbell says the foundation and the bank created the Where We Live project.

Over five years, the foundation is devoting \$16 million to two wards in the nation’s capital, and the financial services company intends to provide \$1.5 billion in loans and equity investments.

The targeted approach will address affordable housing, small-business growth, and job skills.

“It is holistic, and it was collaborative and focused,” Campbell says. “This is the kind of catalytic thinking that I am hoping we can prove can work. It may begin other changes in how Wells Fargo focuses on corporate citizenship.”

Minnesota’s Keystone companies

A predecessor company of Wells Fargo was among the 23 businesses that established the 5 Percent Club more than four decades ago, which has since morphed into the Minnesota Keystone Program.

There are now 196 Keystone companies that give at least 2 to 5 percent of their pre-tax earnings to community nonprofits and programs. The Minneapolis Regional Chamber administers the Keystone program.

Other well-known businesses that helped launch the club included Carlson Cos., H.B. Fuller, Graco, Medtronic, Target, Piper Jaffray, Jefferson Lines, Opus Northwest, and RBC Wealth Management. In 1976, some were operating under different names and ownerships.

In 2018, 10 new companies enrolled in the Keystone program, according to Cheri Gengler, who oversees it as part of her job as foundation director at the chamber.

“A lot of companies are invested in our communities,” Gengler says. “Being able to say that you are a company that gives back is a huge win in the talent market.” She emphasizes that employees want to be associated with businesses that are working to improve the quality of life in their communities and are sharing their financial

resources and volunteer hours with nonprofits.

The existence of the Keystone program models the need for corporations to give back to their communities, Gengler says. “This is a tradition that we hold strongly in the market,” she says. Within executive circles, she adds, the case for corporate giving is made in public and private settings.

Richard Anderson, former CEO of Northwest and Delta airlines, and Richard Davis, former CEO of U.S. Bancorp, argued on behalf of corporate responsibility at the 2017 CEO Forum, hosted by *Twin Cities Business*.

“All the communities you serve deserve to have investments [put back into them] because that’s where your good employees are going to come from and it’s where your customers are going to come from,” Anderson says. “You want your employees to be proud of being part of an organization that gives back to the communities where they live and work.”

Davis adds: “When you take over as CEO, there is an implied responsibility to step into the community.” Both men are giving back in new ways after successful tenures at large for-profit companies. Anderson is leading reform of the Amtrak rail system as its CEO. In January, Davis becomes the top executive of the nonprofit Make-A-Wish America.

Blending business and social good

As a principal at the Gray Plant Mooty law firm in downtown Minneapolis, Sarah Duniway has worked for years with numerous nonprofit clients who are trying to make the world a better place.

More recently, she’s been encountering people who have what she terms “a

great idea to solve a social problem.” In decades past, those people might use the idea to improve a government program or address a social ill through the nonprofit sector. Today, Duniway says, “They are trying to decide: Should I be a nonprofit or a business?”

The lines between the nonprofit and business worlds are blurring in some cases. “A lot of health technology ideas generate that kind of conversation,” Duniway says. “There’s a lot of interest in empowering underserved communities and doing economic development in impoverished neighborhoods or rural areas.”

She also hears the phrase “mission-driven” applied to businesses, often associated with startups that want to make a difference in society. However, Duniway adds, “I don’t think small businesses or nonprofits have the monopoly on passion and mission.” 3M Co., one of the largest global corporations, employs people who are making breakthroughs that improve health care, she says. “They are solving real problems around the world,” she adds, and those new products are sold in the for-profit marketplace.

One way some people are navigating the blending of philanthropy and business is by creating public benefit corporations. This became an option under Minnesota law in 2015 for business leaders who want to operate socially responsible companies.

“It is baking into the legal corporate structure the idea that a business has a public benefit in addition to the traditional goal of maximizing returns for shareholders,” Duniway says. “The board has

the freedom to make business decisions taking both of those guiding principles into account.”

Eighty public benefit corporations filed annual reports with the Minnesota secretary of state’s office in 2018. Many of them are small businesses with names unfamiliar to the general public.

Duniway says the public benefit statute does not regulate how much a business must give to charities or specify what counts as a

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—Richard Davis,
former CEO, U.S. Bancorp, and
current CEO, Make-A-Wish America

public benefit. In a nutshell, the firm must file a public plan that addresses how it will define public benefits, and it must be transparent about its activities by submitting an annual report to the state.

Anybody can read the annual reports from businesses that are posted online. Examples of public benefits: deploying a solar micro-grid, buying organic coffee from farmer cooperatives, and offering pro bono job search services to the unemployed.

The public benefit corporation creates business flexibility for the companies as well as choices for consumers. “We get to vote with our feet and our dollars as to whether a business is genuinely advancing a social good in a way that we want to support,” Duniway says.

Liz Fedor is the Trending editor of TCB and has served as a program officer for two Minnesota-based foundations.

Leaders in Giving

From start-ups to Fortune 500s, here’s a look at philanthropic efforts by corporate givers and mission-driven businesses.

By Liz Fedor, Burl Gilyard, Allison Kaplan, Kate LeRette, Adam Platt, and Sam Schaub



Askov Finlayson Minneapolis

“Keep the North cold” evolved from slogan to mission for North Loop retail company Askov Finlayson. “If there’s any single, unifying global issue of our time, it’s climate change,” co-founder and CEO Eric Dayton says. “That’s what we’ve taken as our mission.” Last year, Askov Finlayson pledged \$1 million over the next five years to climate action organizations. They also hired a vice president of environmental impact and policy who is working on a formula to calculate the brand’s “climate cost”—from the impact of growing organic cotton to the energy used at its store and offices. Askov Finlayson plans to donate 110 percent of that figure annually to groups that fight climate change.

Can Can Wonderland St. Paul

This hipster playground, which opened in 2017, has gotten a lot of attention for its artsy mini golf course, vintage pinball arcade, and whimsical cocktails, but Can Can Wonderland takes the arts to heart: It’s Minnesota’s first arts-based public benefit corporation. “The three of us had been involved in the arts for almost two decades, and the fundraising cycle was always frustrating,” says co-founder and CEO Jennifer Pennington of herself and her two partners. “When the recession occurred, a lot of arts funding went away. We wanted to find a way to create ongoing, stable funding for the arts, to pay artists, and to grow new audiences for the arts, to engage people in the arts. We became a PBC as a way to institutionalize those values in the business.” Can Can Wonderland drew approximately 200,000 visitors in its first year in business and paid \$570,000 to artists and arts groups that performed or created work for the venue.