

GIVING

## Stepping Up at Family Firms

By CHARLES PAIKERT NOV. 8, 2012

ELIOT ORTON traces the origins of the Vermont Country Stores' interest in philanthropy to neighbors sitting around the potbellied stove at his grandfather's small store in the Green Mountains and jawboning about things that needed to be done in the community.

"People in Vermont have a very strong sense of civic duty," said Mr. Orton, 39, the chairman of the family-owned business. "It's deep in their bones. Vermont still has town meetings, and my grandfather very much shared that sensibility of looking after neighbors and caring for the place where you live and work."

As much as was permitted by the limited resources of a small general store in tiny Weston, Vt., in the 1940s and '50s, Vrest Orton donated time and money to local charitable causes. Today that store has become a 15,000-square-foot tourist destination, and Vermont Country Stores has a thriving national Internet and mail-order business and another retail location that together bring in \$100 million in average annual sales.

Growth in business has meant a growth in philanthropy. Eliot Orton estimates that the company dedicates 10 percent of its annual profit, and hundreds of hours of time volunteered by many, if not most, of its 500 employees to a variety of charities, including volunteer fire departments, food pantries and international causes like Habitat for Humanity.

Family-owned companies are increasingly making philanthropy a cornerstone of their business model, according to Betsy Brill, president of Strategic Philanthropy,

a Chicago-based firm that advises donors and their legal and financial advisers.

“Businesses that are owned or controlled by families are using philanthropy as part of a business strategy and aligning the family’s core values with the company’s,” Ms. Brill said. “It makes sense and can also be extremely beneficial to business objectives such as attracting and retaining great employees and improving the company’s reputation as a good corporate citizen with its customers, community and vendors and suppliers.”

She was seconded by Kelin Gersick, a principal with New Haven-based Lansberg, Gersick & Associates and who specializes in working with wealthy families on governance issues affecting their businesses, foundations and family offices.

The benefits for companies that are active in philanthropy can be tremendous, said Mr. Gersick, who also teaches at the Yale School of Management. “It creates a much stronger and diversified connection between the family ownership group and operations,” he said, referring to management.

“It also creates a connection to the company for employees, customers and the supply chain not only through what the company makes or sells, but through what it does by improving quality of life.”

One example of the trend is, perhaps not surprisingly, a public relations firm, Daniel J. Edelman.

The company’s pro bono work dates to its Chicago origins in the early 1950s, when its founder and still chairman, Daniel Edelman, did pro bono work for the city’s Lyric Opera company and the Children’s Home and Aid Society. Still privately held, Edelman is now the world’s largest public relations firm, has offices in 26 countries, generates more than a half-billion dollars in revenue and says that last year it gave more than \$5 million in cash and volunteer time, or nearly 7 percent of operating profit, to charity.

“Philanthropy and being a good corporate citizen has always been part of the company, but in the last two years we’ve been embedding it even further in the company’s culture,” John Edelman said. He said his title since 2010, managing

director, global engagement and corporate responsibility, sums up the firm's commitment.

Last year Edelman began giving employees four hours of paid time off a year to use their professional skills for volunteer activities that fight hunger and poverty. In Mexico City, employees created the "Todo a Pulmon," or "All by Lung," campaign to raise awareness about children with undiagnosed cystic fibrosis.

In its hometown, Edelman helps to promote I-GO, Chicago's nonprofit car-sharing group. And employees can submit grant proposals to the company, like a project in Vancouver, Canada, where volunteers visit local jails to record parents reading bedtime stories for their children at home.

Mr. Orton said his company's employees are similarly involved in its philanthropic decisions. In addition to reviewing proposals from management, they are encouraged to form "community action teams" and submit their own ideas for charitable work.

"Our employees developed an online farmers market to help local farms in Rutland," he said. "They signed up farmers to bring their goods to a distribution center, then sorted things out and put the inventory online. All the money went back to help the farmers in an innovative way. "

In central Ohio, being involved in about 175 charitable events a year has helped strengthen the bond between the A. D. Farrow Company, one of the country's oldest Harley-Davidson motorcycle dealerships, and its customers, said its owner, Bob Althoff.

People who buy motorcycles are by nature community-oriented, Mr. Althoff said. "They don't buy Harley-Davidsons to ride around by themselves," he explained. "They want admission to a kinship community."

As a result, Mr. Althoff's dealerships in Columbus and nearby sponsor and participate in fund-raising rides for cyclists that benefit a variety of causes, including local fire departments and Flying Horse Farms, a Paul Newman camp for disabled children.

**“Motorcycle owners are the most generous people on earth,” declared Doug Kameron, marketing director for the dealership.**

**Families who want to start a company philanthropic program should have a detailed plan that includes a committee to define goals, then dedicate management and staff to support carrying out the plan and track progress, said Susan Winer, senior vice president at Strategic Philanthropy. The programs’ limits and exactly which resources are available should be defined, she added.**

**Family members should determine how much they will be involved, she said. Still, they need to be involved in the philanthropic effort personally, Mr. Orton said. “Anyone can write a check,” he said, “but the closer you are to the philanthropy, the more it means to you.”**

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