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Not Just a Company, but a Neighbor:

How General Electric's Departure
Impacts Nonprofits in Connecticut

An Interview with
Robert C. Bird*



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for Business Leaders

* Robert Bird is Professor of Business Law and the Eversource Energy Chair in Business Ethics at the University of Connecticut. Robert's scholarship focuses on employment law, compliance, sustainability, and business and human rights. Robert has authored over seventy publications, including works in the Journal of Law and Economics, American Business Law Journal, Law and Society Review, Sloan Management Review, Connecticut Law Review, and the Harvard Journal of Law and Public Policy.

On January 13, 2016, **General Electric**, a multinational conglomerate and one of the largest Fortune 500 companies, announced that it will move its corporate headquarters from Fairfield, Connecticut to the South Boston Waterfront area of Boston, Massachusetts. While the move is laden with consequences for the future direction of the company, it also represents a significant loss for the citizens of southwestern Connecticut. One of the most substantial, and too-often overlooked, losses is the deleterious impact on the nonprofits and charities that rely on GE for support. In this expert interview, Robert Bird of the University of Connecticut School of Business discusses GE's departure from the nonprofit perspective. Professor Bird remarks that the departure of a large organization from a geographic space has a significant, and potentially complex, impact on the region's charitable organizations. He also concludes that, while GE's pivot toward its new Boston home is inevitable, charitable organizations may have an opportunity to smooth the decline and even retain some of GE's charitable practices.

General Electric is not a newcomer to Fairfield, Connecticut and has been a longstanding corporate citizen of the region. Can you tell us briefly about GE's history with southwestern Connecticut?

General Electric moved its headquarters from New York City to Fairfield in 1974. Although there was some concern about an increase in traffic that such a major headquarters might bring, Fairfield residents seemed generally welcoming to the move. Political figures at the time welcomed GE, cognizant of the economic infusion and increased tax base that a large corporation would bring. On October 4, 1974, First Selectman John Sullivan and Governor Thomas Meskill were present for the ribbon cutting at GE's new facility, and a decades long relationship between the corporation and the community was born.

How has General Electric contributed to the nonprofit activities in the region?

General Electric's contribution to the nonprofit sector in Connecticut has been substantial. General Electric executives

hold seats on numerous charitable boards of directors across Fairfield County. The local United Way receives between 25%-30% of its funding from GE. When nearby Newtown suffered the tragic Sandy Hook

Elementary School massacre in 2012, killing twenty, GE gave a \$15 million gift and lent the time and experience of executives to help the town manage the difficult aftermath. Millions more have been donated by the venerable GE Foundation to local schools and causes, contributing \$5.7 million to Connecticut universities and organizations in 2015 alone. GE has also supported the Child Guidance Center of Mid-Fairfield County, an organization that provides mental health and support services for children, with more than \$100,000 over a five-year period. Optimus Health Care received \$250,000 several years ago in support of their behavioral health services. GE has sponsored numerous homes built by Habitat for Humanity. There are many examples of GE's engagement with Connecticut, and in 2013 GE ranked second in the state in charitable giving. GE is widely viewed as a steadfast corporate citizen.

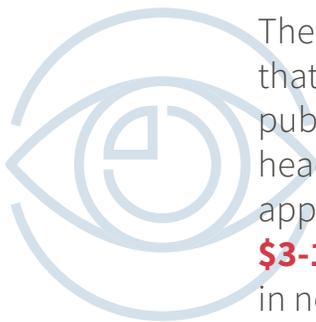


What was the immediate reaction to GE's decision to leave Connecticut? How did the political system react?

Individuals generally responded with shock and sadness, but GE's departure was not entirely unexpected. General Electric had been considering a new home for years, and went through a careful and systematic process and evaluation of various options. Nonprofits feared that this day would come and immediately concerned themselves with the consequences of lost financial and human support. Local politicians were disappointed by the decision, and did what they could to have GE reconsider. They also turned their attention to nonprofits. Shortly after GE's decision was announced a state senator moderated a panel discussing the impacts of GE's departure on nonprofit organizations. Politicians knew the impact was significant on nonprofits and responded.

Is anyone at fault for GE's departure?

After the decision there was some finger pointing, but the causes of the departure are complex. Some legislators blamed Connecticut's high-tax and anti-business environment, and by extension Connecticut's Governor Dannel P. Malloy, for GE's departure. The argument has some basis, as GE has complained about the state's business climate in the past. However, GE relocated to Massachusetts, a state that is not considered to be a low-tax environment. Other low-tax states were ready to accept GE, indeed the competition was quite fierce, and the company passed them over.



The authors found that the presence of a publicly traded company headquarters generates approximately **\$3-10 million annually** in nonprofit contributions.

More fundamental may have been GE's interest in aligning itself away from the financial industry and toward technology and innovation. Boston has a robust technology corridor that Connecticut cannot readily match. This move represents their shift to a new emphasis on software innovation, as well as its more traditional industries, and the need to attract workers who have the necessary talent and prefer to live and work in a major city. GE's move represented a strategic business shift at least as much as any effort to avoid local and state public burdens. This decision does not fit into any readily assignable political blame.

Does the departure of a corporation from a geographic area impact the donative giving of the company to that locality?

Both anecdotal and empirical evidence point to the conclusion that geographic location of a corporate headquarters matters to nonprofit giving. For example, the arts, museums, and theatres in New York were reliably sustained for over forty years by Philip Morris Companies, maker of popular brands of cigarettes. In the 2000s, the firm now known as Altria decided to move its headquarters from New York due to corporate reorganization of its tobacco business. Altria announced that it would discontinue funding of longstanding initiatives, such as a reliable annual donation to the Brooklyn Academy of Music. The company warned in 2005 that its donations would be reduced, and the last payments were to last until 2008. Numerous organizations reliant on Altria scrambled to find other support.

There is also academic support to the importance of geography. A 2010 study by David Card and co-authors examined the effect of corporate headquarters on charitable giving.¹ The authors found that the presence of a publicly traded company headquarters generates approximately \$3-10 million annually in nonprofit contributions. The effect is also sensitive to firm size, with every \$1,000 increase in firm market value associated with \$.60-1.60 of payments to local nonprofits. They also found that corporate giving does not crowd out government grants to these charities, implying that the donations are a net plus for the community. Geographic location probably matters and has a significant effect on the community in which the firm is headquartered.

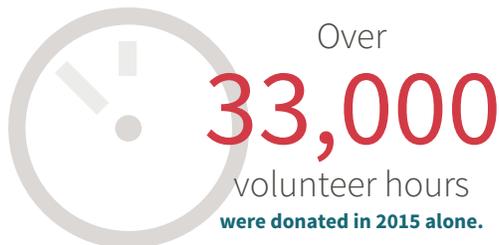
What about executives at General Electric, such as members of the C-Suite and other top leaders?

Executives of an organization like GE have distinct pathways of engagement of their own. Executives may make specific donations to organizations in their local area where they and their families live. These contributions may not be as large or high-profile as the investments of a foundation or corporation, but they are certainly substantial and significant. Executives may focus on social causes, but also emphasize the arts, museums, and universities. Support of the arts, and its consumption, can be a form of cultural capital that contributes to the good standing of an individual within a social elite. Executives may move in elite social circles and use such donations to build networks or signal altruistic attributes to their peers. Their social class thus influences their donative interests and expressions, and executives from a major corporation such as GE would exist in that group.

¹ David Card, Kevin F. Hallock, and Enrico Moretti (2010), The Geography of Giving: The Effect of Corporate Headquarters on Local Charities, *Journal of Public Economics*, 94, 222-234.

What is the impact of General Electric's employees on nonprofits?

General Electric's non-executive employee base represents a significant and vigorous source of donative activity for the region. A corporate headquarters like GE's does not simply house executives, but employs a myriad of managers and administrative staff necessary to support executive goals and disseminate strategies to their worldwide network. Company employees live and send their children to schools in the local area. Over time they form bonds in these communities like any other resident. Accompanying that local bond is a participation in civic life. GE employees have been active participants in a variety of nonprofit initiatives. For example, while GE may provide the funding to support Habitat for Humanity, it is GE employees that will donate their time and energy to construct the homes for individuals in need. Over 33,000 volunteer hours were donated by GE employees in 2015 alone. Although on average not as substantial as those of executives, employees also donate funds of their own. Amplifying the importance of these donations is GE's longstanding policy of at least a 50% match to most employee's individual charitable contributions. This makes GE employee donations even more influential to the nonprofits that receive them. This also, of course, amplifies further the losses of these contributions once GE leaves Connecticut.



Does General Electric's prestige influence its charitable impact?

I would speculate that it does, and to the substantial benefit of the nonprofits fortunate enough to receive GE's donative interests. For example, GE executives serve on a variety of charitable corporate boards. Often with board membership comes financial support, but their mere presence on the board is an advantage to the nonprofit organization. Leaders of a large and well-respected company like General Electric bring with their donative activities an aura of legitimacy and prestige for the nonprofit concerned. Such prestige can in turn attract donors of similarly significant means. In the best cases it can have a snowball effect whereby a pull to participate is present amongst those within a similar social circle. If those in the

social circle are executives and their wealthy associates, it can have a significant impact on the nonprofit's generated funds. Just as an anchor department store in a shopping mall can lure new customers and tenants, so can a reputable corporation like GE anchor the legitimacy and visibility of a nonprofit in the minds of potential donors. The legitimacy of GE, in a sense, rubs off on the nonprofit organization.

How will GE's move to Boston play out amongst the Connecticut nonprofit community?

The most obvious consequence is that GE's nonprofit engagement will decline in Connecticut. General Electric has already announced \$50 million in philanthropic contributions to Boston and surrounding cities over the next five years. These include donations to public schools, community health centers, and training opportunities for small business owners and students outside the Boston area. This may represent an initial big splash that corporations make when entering a new locality to build good will. It may also represent the beginning of a sustained engagement with Boston area nonprofits. This engagement will come from resources that could have been targeted to Connecticut. Nonprofits are savvy and pragmatic, and know that GE's role in their future will be a decreasing one. Beyond this general conclusion, for how long and to what extent GE's nonprofit interaction in Connecticut will continue is difficult to predict.

Will the donative activity of General Electric remain the same but only in smaller amounts?

Not exactly. Most of the executives of GE will move to Boston. That means executive-level pathways of engagement will leave with them. Contributions to the arts and related outlets may suffer the most from their loss, as well as nonprofits that relied on GE's legitimacy effect to bring in more donations from other sources. The GE Foundation may also pivot local-based initiatives away from Fairfield and toward Boston. Connecticut may benefit from a legacy of memory, but that will fade over time as executives and employees that remember GE's soon-to-be former headquarters retire or leave the company. Nonprofits that sustain themselves on smaller donations and direct engagement from the less wealthy may see less of a relative decline. Their continued engagement with the local GE facilities, including former headquarter employees that remain, will be key to their continued success.

Is there any future then for GE philanthropy in Connecticut?

Beyond the inevitability of an overall decline, there are some short and long-term bright spots for Connecticut nonprofits. It is unlikely that GE will cease charitable activity in Connecticut abruptly and without warning. Not only could this appear heartless, but it could be the source of bad public relations. Furthermore, GE executives and employees may have a familiar, perhaps even warm, relationship with the Connecticut nonprofits they support. Just as one retains contact with an old friend even when moving away, so GE will likely continue engagement in some form in Connecticut. There will likely be expressions of gratitude by nonprofits, employees and executives will say goodbye, and final charitable partnerships will occur before GE departs. Currently, GE is in a state of transition from Fairfield to Boston, which will not be complete until 2018. Once the move is complete, that's when the true loosening of the nonprofit-corporate relationship will begin.

However, GE's departure is not without opportunities. As many as 600 of the 800 employees working in Fairfield will remain in Connecticut and move to a facility in nearby Norwalk. These employees represent a significant source of donative activity and engagement. Organizations in the immediate Norwalk area will benefit, as well as those that gain from direct individual action, such as building homes for Habitat for Humanity. The town of Fairfield may lose some of the nonprofit interests, but Fairfield County, in which both Fairfield and Norwalk are located, will retain the benefits of these employees.

The effect of these remaining employees, however, should not be overstated. Returning to the study mentioned earlier, the authors attributed much of the increase in charitable donations to the number of highly-compensated individuals, such as executives, located in the immediate geographic area rather than direct donations of the corporations themselves. As GE executives follow their new corporate headquarters to Boston, their donative practices will eventually follow, leaving a significant gap for Connecticut charities that even substantial numbers of non-executive employees cannot easily compensate.

In spite of this effect, there is a possibility for nonprofits to retain some of that executive connectivity. Geography is an important factor but not the sole driver of donative activity. A 1997 study by Joseph Galaskiewicz found that membership of the board members and CEO in social networks are predictors of generosity of social giving.² With the advent of technology, social networks are less geographically dependent, and that freedom may encourage executives to remain connected

with their former communities. Furthermore, advisory boards that are populated by executives are often interlocking, and individuals may retain social ties with nonprofits through those interlocks even though their geographic location has changed.



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What does the departure of General Electric from Fairfield mean to you personally?

I grew up in Fairfield, and lived there throughout high school and college. General Electric was a steady presence in the town, and a point of prestige for the community. Their sprawling campus overlooked the scenic Merritt Parkway, and I often wondered what transpired in those white buildings as I drove by. My favorite memory of GE was from the holidays, when every year GE would light a large holiday tree in front of the entrance to their campus. Some years it shimmered white and other years it shined with brilliant colors. People would drive out of their way to see it. The tree symbolized, at least for me, that GE was not just a company but a neighbor, and by most accounts a friendly one. Those decorations will be gone soon, and the memories of one of the world's largest corporations sharing a community with me will depart with it. Fairfield's loss is Boston's gain, and I'm sorry to see GE leave my hometown.

² Joseph Galaskiewicz (1997), An Urban Grants Economy Revisited: Corporate Charitable Contributions in the Twin Cities, 1979-81, 1987-89, Administrative Science Quarterly, 42(3), 445-471.

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370 Technology Drive
Malvern, PA 19355
610-727-0539

TheSatellInstitute.org

