



How GE gives away its money

GE gives millions to support schools in the U.S. and healthcare in poor countries.

By [Marc Gunther](#), senior writer
July 1, 2008: 6:49 AM EDT

(Fortune) -- I'm not a big fan of corporate philanthropy. Too often, it's a feel-good exercise, generating little value for a company's shareholders. At its worst, it allows CEOs to use other people's money to glorify themselves. (Tyco once pledged \$5 million to Seton Hall University, which named a building or two after its then-CEO, Dennis Kozlowski.) Rarely is corporate giving both benevolent and strategic.

General Electric ([GE](#), [Fortune 500](#)) is one company that does philanthropy right. On Monday, the company announced a new donation - a five-year \$18 million grant from the GE Foundation to the New York City public schools, the largest-ever single corporate contribution to the school system. New York is the sixth city to join in what GE calls its "Developing Futures" program, which is aimed at improving schools in Atlanta, Cincinnati, Louisville, Stamford, CT and Erie, PA, all places where GE operates. GE has been working on school reform for decades.

The company's other charitable focus - health care in poor countries - is newer. I had a chance to see it up close in 2004 when I traveled to Ghana, with Bob Corcoran, GE's vice president for corporate citizenship and president of the GE Foundation. (See [Money and Morals at GE](#) in the Fortune archive.) Back then, GE had promised to donate \$20 million of equipment and to lend its expertise to public hospitals and clinics in Africa, beginning in Ghana - a country where it does no business. Corcoran and GE's CEO, Jeff Immelt, justified the Africa initiative in several ways: They told me the company had been asked to do more in Africa by its African-American employees, that GE wanted to develop good will in a region that soon could grow into a real market, and that knowledge gained from working in poor countries might pay off in unexpected ways for GE.

Last week, Corcoran brought me up to date on GE's philanthropy. He told me that the health-care initiative, now called "Developing Health Globally," has expanded in its size and scope. GE has committed another \$10 million to work on health care in Africa (including Ghana, Ethiopia, Kenya, Malawi, Mali, Nigeria, Rwanda, Senegal, Tanzania and Uganda), Latin America (beginning with Honduras) and eventually Asia (Indonesia and Cambodia). About 21 hospitals have been upgraded so far, with another 32 hospitals and clinics scheduled to be

improved by the end of the year.

GE focuses its health-care efforts in countries that are politically stable, transparent, (i.e., as free of corruption as possible), committed to improving health care and willing to invest their own money. Before donating, say, x-ray or ultrasound machines, Corcoran says, GE needs to know: "Can they operate it, maintain it, own it and use it over time to treat people?" Many GE projects are unfolding alongside the Millennium Villages development work led by the UN and the Earth Institute at Columbia University (that's the group led by Prof. Jeffrey Sachs). GE measures its impact, of course. In Ghana, for instance, hospital births and equipment usage have increased, a sign that people have more trust in the health care system.

But if that's the benevolent side of GE's work, where's the payoff for shareholders? "We're building reputational value and trust in places in the world where we aren't known," Corcoran says. The company is also driving sales. While GE was launching a health care project in Rwanda, Paul Kagame, the nation's president, asked to meet with Corcoran because the country wants to exploit methane gas under Lake Kivu, on the border with the Congo. Corcoran arranged for Kagame to meet John Rice, a GE vice chairman in charge of infrastructure, and the company is now on the verge of selling its equipment to Rwanda.

GE's Africa work also helped the company learn to design and develop new products for emerging markets. GE now sells a portable patient monitor, for example, to customers in India and China that is "low cost and it's robust," Corcoran says. "It isn't going to be in an air-conditioned room. It's going to have to function in a rough-and-tumble area."

Another example: While doing disaster-relief work in Sri Lanka, GE engineers cobbled together a small water purification unit and the company's solar panels to create a machine that could deliver fresh water in the absence of electricity. This has since become a commercial product, sold to an oil exploration company working far from the grid in northern Russia. "It started as a Rube Goldberg approach to satisfying a need in a crisis," Corcoran said.

Fair enough. But why spend on education? Here the payback is indirect, admits Corcoran. "There's no clear line of sight to a commercial benefit," he says. "We're not doing this to sell light bulbs to a school district." But, he says, "our supply chain of knowledge workers has severe holes in it." In plain English, this means that GE (and others) can't find enough smart, well-educated employees, particularly scientists and engineers. "The product our high schools put out is just awful," he says. As part of the program, top GE execs consult on a pro bono basis with school administrators, and school systems must meet agreed-upon performance standards.

Corcoran, 52, who has worked at GE for 29 years, has been president of the GE Foundation since 2003. Last year, the foundation gave away about \$93 million in cash, with about 40% of that going to match employee gifts. The company's product donations, employee and retiree giving generated another \$107 million in philanthropy, not including volunteer time.

I asked Corcoran why a company that goes to great lengths to save pennies or less in its operations would give away that much money. His reply: "Some might say there's a contradiction between Six Sigma applied to, say, taking out the cost of a tenth of a cent on a filament in a lightbulb, and giving away \$20 million in Africa. But I don't see it that way. In the end, both are done to be responsible and increase shareholder value."