Levi Strauss Donor Advised Fund in Japan

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The brand name Levi Strauss & Co. is among the most recognized in the United States and around the world. Even those who do not know the name are likely to be familiar with the company’s denim blue jeans with the double-arch stitch on the back pocket. Each pair of Levi’s® blue jeans bears a leather patch with the words “Original Riveted Clothing” and the date May 20, 1873—the historic date when the company first used metal rivets on its clothing. Levi Strauss & Co. is one of the oldest apparel manufacturers in the United States. Its founder, Levi Strauss, moved to San Francisco during the Gold Rush and established a company that produced durable clothing to meet the demands of the miners. With the slogan “Quality never goes out of style,” the company has grown to be one of the largest apparel manufacturers in the world.

Still headquartered in San Francisco, Levi Strauss & Co. is also well known to many in California and elsewhere in the United States for its corporate philanthropy and community involvement activities. The company donates 2.5 percent of pretax earnings annually—a total of US$22 million in 1998—and is recognized for its leading role in enhancing AIDS awareness and prevention, and for Project Change, an antiracism initiative of the Levi Strauss Foundation. And while charity may begin at home, as they say, Levi Strauss has been generous overseas as well. As its business operations have expanded globally, the company’s international philanthropic activities have also grown, topping US$7 million in 1998. This chapter examines the corporate philosophy of Levi Strauss & Co., which emphasizes community involvement as an integral element of its philanthropy, and focuses on some of the efforts that the company has exerted in
applying its corporate philosophy in the diverse sociocultural and political environments of Asian countries.

**Levi Strauss & Co.’s Philosophy of Corporate Philanthropy and Community Involvement**

**A Family Tradition**

Levi Strauss & Co. is a family-owned corporation that has inherited a long family tradition of philanthropic giving. Levi Strauss’s heirs have set up numerous private foundations, the total assets of which exceed US$1 billion. The Haas family of San Francisco inherited and still runs the blue jeans company. The philanthropic tradition of the family was mainly established by Walter Haas, Sr., who married the daughter of one of Levi Strauss’s nephews and who ran the company from 1928 to 1955. Robert D. Haas, the current chairman of the board and chief executive officer, is the grandson of Walter Haas, Sr., and is following in his grandfather’s charitable footsteps. He was a trustee of the Ford Foundation, serves on the boards of many nonprofit organizations, and is well known as a leading figure in the philanthropic community in the United States and around the world. Not only did Robert Haas bring the company’s revenue to US$7.1 billion in 1996, making it the world’s largest apparel manufacturer at the time, but he also strengthened the philanthropic tradition within the company.

Speaking to a 1996 Keidanren (Japan Federation of Economic Organizations) Study Mission on Corporate-NGO Partnership, Robert Haas discussed his family’s tradition of philanthropy and good corporate citizenship, explaining that the founder, Levi Strauss, “believed in high quality products, fair prices, and a strong commitment to the community. He established our company’s strong tradition of corporate social responsibility that continues to this day. Levi Strauss believed in giving back to the community because it was the right thing to do. It also turned out to be good for business.”
Emphasizing Values and Community

To reinforce the company’s commitment to the community, Levi Strauss & Co. adopted a mission and aspiration statement that asserts, “We will conduct our business ethically and demonstrate leadership in satisfying our responsibilities to our communities and the society.” The translation of such a noble goal into practical business behavior, however, is a constant challenge. As Robert Haas admitted in a Conference Board speech in 1994, “We at Levi Strauss & Co. struggle every day with how to create a business culture that promotes ethical behavior.”

Eschewing the “compliance-based approach” of rules and regulations, Levi Strauss & Co. has instead opted for a “values-oriented approach” that emphasizes six ethical principles: honesty, promise keeping, fairness, respect for others, compassion, and integrity. These principles are applied both internally in the daily management of the company and externally in the relationship between Levi Strauss & Co. and the community.

Haas also emphasized in his speech that “there is a positive correlation between good corporate citizenship and financial performance,” citing recent studies that underscored the point “that companies which look beyond solely maximizing wealth and profits and are driven by values and a sense of purpose outperform those companies that focus only on short-term gain.”

Other recent studies suggest, according to Haas, that “how a company conducts itself affects consumer purchasing decisions and customer loyalty.”

Levi Strauss & Co.’s promotion of good corporate citizenship has been primarily oriented toward the well-being of communities in which its employees live and work. Again, Robert Haas stated in his speech to the Keidanren mission that “my great-great-granduncle had a vision of how companies should relate to their communities. He envisioned a company that could be a financial success while acting as a powerful force for social change.” With this goal in mind, Levi Strauss & Co. has developed a number of innovative methods for its employees to
contribute to their own communities, both in the United States and overseas, by donating money, time, and expertise.

**The Levi Strauss Foundation**

Levi Strauss & Co.’s philanthropic activities are conducted through the corporation itself and through the Levi Strauss Foundation. Created in 1952 to ensure the stability of the company’s philanthropic programs, the Foundation is responsible for programs in the United States, while the corporation is responsible for overseas programs. An endowment was set up for the Foundation by Levi Strauss & Co. to insulate it from fluctuations in business performance. The Foundation is governed by a board, and daily operations are conducted by the staff members of the corporation’s Global Public Affairs Department.

**COMMUNITY-BASED SOCIAL RESPONSIBILITY PROGRAMS WITH NGO PARTNERSHIP**

Levi Strauss & Co. has developed a multipronged approach to community involvement, placing a strong emphasis on employee participation and on partnership with nongovernmental organizations (NGOs) working in the communities where the company operates. Under the heading of “community partnership programs,” the Levi Strauss Foundation channels its resources primarily to three programs: the Community Involvement Team (CIT) Program, the Community Partnership Program, and Employee Giving Programs. CIT and employee giving activities are identified and decided upon by the employees themselves and reflect the needs that they perceive in their communities. Community partnership programs in the United States are determined by the Foundation; in other countries, decisions regarding funding are made by the community affairs managers in the respective regional headquarters.

To encourage employees in the United States to be active in their communities, employees are given ample information about philanthropic and partnership activities and outcomes, and are
provided with office space for coordinating CIT activities during their lunch hour. Incentives come in the form of encouragement and support from the corporation and the opportunity to choose the kind of work they will do to help improve their communities. Employee involvement and financial support seem to be emphasized equally. Employee involvement also entails educating employees about social issues. One important aspect of an AIDS prevention and care project in San Francisco, for example, involved educating employees about AIDS prevention and about how to deal with friends, family members, and fellow employees who are HIV positive.

**Community Partnership Programs**

Levi Strauss & Co. and the Levi Strauss Foundation provide financial assistance to NGOs for projects in four general areas: community-based economic development, AIDS prevention and care, social justice, and youth empowerment. These priority areas are modified to respond to changing social needs, with youth empowerment being added only in 1997.

The company has received accolades for its leading role in promoting AIDS awareness and prevention, which began at the initiative of a group of employees. According to Haas, the employees approached the company’s senior management in 1982 to seek their endorsement for distribution of literature on this new disease that was suddenly taking an alarming toll on so many communities in the United States, and particularly in San Francisco. Haas and senior managers joined the employees in staffing a booth and distributing literature to other Levi Strauss & Co. employees, many of whom frowned upon such activities at the time because of a lack of knowledge about the disease. Since that time, the company has made AIDS prevention and care one of its top priorities in communities around the world, and since 1983 has contributed more than US$2 million in grants for assistance to AIDS patients and their caregivers, risk reduction education, and services targeted at populations severely affected by AIDS.

Because many of the communities where Levi Strauss & Co. employees reside are in need of increased economic opportunities, the company also works closely with NGOs that promote
programs focused on job creation and community-based economic development, as well as micro-enterprise development schemes. At the same time, community-based economic development grants are provided for the purpose of leadership development, thus strengthening the economic development capacity of community organizations and their leaders.

**Community Involvement Team Program**

To enhance employee involvement in the company’s social responsibility activities, Levi Strauss & Co. devised a unique mechanism known as Community Involvement Teams (CITs). In 1968, the first Community Affairs Department was created to organize workers throughout the company into groups of volunteers, offering them start-up money and matching the groups’ own fundraising efforts. Since then, 100 CITs have been formed around the world.

The CITs are groups of employees from all levels of the corporation who volunteer their time and services to organizations of their choice. They are allocated some of the community affairs budget to manage themselves in connection with their volunteer work. The CITs are free to carry out their activities as they see fit within the broad guidelines set out by the corporation, and while the CITs are granted considerable autonomy, they often approach the corporation for guidance, advice, and technical assistance. These groups of volunteers not only provide a service to their communities but also gain fund-raising and community development experience themselves.

**Employee Giving Programs**

Levi Strauss & Co. encourages employees to contribute financially to their communities through three types of employee giving programs. The first type is a matching gifts program, through which the Foundation will give up to US$1,200 annually per employee for qualified community organizations and educational programs. The second type is community service grants, through which the Foundation makes grants of up to US$600 for organizations where Levi Strauss & Co.
employees volunteer their time. The third type is workplace giving, through which the Foundation cooperates with United Way and other approved nonprofit organizations to coordinate giving.

Community Involvement in Asia Pacific

As Levi Strauss & Co. started expanding its operations worldwide, it decided to decentralize its corporate philanthropic activities in order to better “think globally; act locally,” as the saying goes. This decentralization has evolved along with the growth of the company’s business, starting in Europe, then North and South America, and then Asia Pacific. To ensure that the giving is responsive to the local communities, each region is assigned a local public affairs director. The budget allocation to individual countries within the region is based on needs and opportunities in those countries.

As one strategy, Levi Strauss Foundation decided to adopt an ambitious new approach to localizing its community involvement activities by initiating “donor advised funds.” As will be discussed in greater detail below, a donor advised fund (DAF) is comprised of a grant made to a nonprofit organization, which in turn makes grants to other beneficiaries. Through the grant, the donor has the authority to advise the grantee institution regarding the distribution of the DAF grants, although donees are free to disregard the advice of the donor. This new type of grant is currently being conducted on an experimental basis in Japan with the Japan Center for International Exchange (JCIE) and in France with the Fondation de France.

Whether it be through DAF grants or direct funding, the four priority areas of the overall philanthropic activities of the company are followed in each region and country, although a limited number of “off-guidelines” grants are provided, usually for urgent issues such as disaster relief, or in special cases where Levi Strauss & Co. sees an opportunity to play a major leadership role in bringing an important issue into focus in a given community.
There are also regionwide projects—that do not focus on a single community but rather encourage regional information sharing or community building. One such example is a grant to the AIDS Society of the Philippines to plan and organize regional skills-building workshops to share knowledge and best practices among HIV/AIDS prevention agencies in the Asia Pacific region.

As is the case in the United States, corporate-NGO partnerships in Asia are promoted by Community Involvement Teams. For example, a CIT in Levi Strauss Philippines identified a handicraft producers cooperative that could receive donations of denim scraps, unused labels, and zippers—waste that would normally be sent to landfill. The cooperative in turn hired local people to manufacture such small mementos as Levi’s® pencil cases, book bags, and bookmarks. Levi Strauss Philippines purchased these handicrafts, thus supporting local employment. Finally, Levi Strauss Philippines distributed the handicrafts in its stores to promote the sale of Levi’s® jeans. This collaboration was a win-win situation for the NGO, the environment, and the business.

While these community activities have been largely successful, Levi Strauss & Co. has encountered some serious challenges in applying its corporate philosophy to its business operations in different sociocultural environments. In 1992, Levi Strauss & Co. was the first company to launch a corporate code of conduct governing the responsible manufacturing of its products in contractor facilities. In Bangladesh, Levi Strauss & Co. representatives discovered that its contractor was employing children in violation of the company’s global sourcing guidelines. Rather than force the contractor to let the children go, which would likely lead to those children taking up prostitution or more dangerous work, Levi Strauss & Co. convinced the contractor to take them off the sewing lines and continue to pay them their wages. The contractor and Levi Strauss & Co. worked together to identify a local school that would accept the children. While the contractor continued their wages, Levi Strauss & Co. paid for the school fees, books, and uniforms so the children could attend school. The contractor agreed to offer jobs to the
children upon graduation from school. The contractor also agreed not to hire any more child labor. This innovative solution has become a national trade model for the garment industry. In addition, the Levi Strauss Foundation provided funding for the start-up of a joint project with UNICEF, the Bangladesh Garment Manufacturers and Exporters Association, and the International Labor Organization, which is ensuring that underage factory workers are able to attend school while receiving stipends to support themselves and their families. This NGO partnership has proven to be a useful tool for creating effective solutions that address the challenges in the Bangladesh garment industry.

**The Case of Japan**

**Genesis of JCIE’s Association with Levi Strauss & Co.**

JCIE began its association with Levi Strauss & Co. more than a decade ago. In early 1986, JCIE had offered to arrange a study mission to Asia for a delegation of foundation representatives from the West Coast of the United States. Ultimately, the program did not materialize, but one individual who had shown great interest in joining the mission was Martha Montag Brown, then manager of Community Affairs and Contributions at Levi Strauss & Co. Later that same year, she paid a visit to Japan to raise awareness about employee volunteerism within Levi Strauss Japan. At that time, corporate philanthropy was a completely new concept in Japan, and although there were some signs of the emergence of NGOs in Japanese society, it was almost impossible to find employees from Japanese corporations doing volunteer work. Prior to making that trip, Montag Brown wrote to Tadashi Yamamoto, president of JCIE, asking if he would organize meetings for her with Japanese foundations while she was in the country. Since that time, JCIE has worked closely with Levi Strauss & Co.

In 1988, JCIE organized the Study Mission on Good Corporate Citizenship in the United States with Keidanren and brought managers of corporate contributions from major business
corporations and associations to Levi Strauss & Co. headquarters among other sites in San Francisco, New York, Washington, D.C., and Minneapolis/St. Paul. This mission inspired the Japanese delegates, and consequently JCIE and Keidanren organized an international symposium on “Becoming Good Corporate Citizens in American Communities: New Challenges for Japanese Corporations in an Interdependent World” in November 1989. Michael Howard, president of the Asia Pacific Division of Levi Strauss International, was invited to be a speaker at this symposium. Since then, JCIE has organized programs whenever members of Levi Strauss & Co. visit Japan and has introduced them to Japanese businesses and NGOs interested in corporate philanthropy.

In 1997, relations between Levi Strauss & Co. and JCIE entered a new phase. In early February, Hideko Katsumata, executive secretary of JCIE, received a telephone call from Community Affairs at Levi Strauss & Co. headquarters, inquiring whether JCIE would be interested in becoming the agent for the Levi Strauss Foundation partnership program in Japan.

**Donor Advised Fund**

After a series of meetings, correspondence, and international telephone conferences, the Levi Strauss Foundation and JCIE agreed in 1997 to start with an experimental grant in the amount of US$160,000, referred to as a donor advised fund. This grant was given to JCIE to redistribute to NGOs in Japan according to general guidelines set by the Levi Strauss Foundation. In a DAF, the relationship between the donor and donee is one in which the donor advises the donee on grant decisions.

JCIE recognized the unique opportunity this fund would provide for the nonprofit sector in Japan. It plays an important role by: (1) supporting the institution-building of organizations in their initial stages; (2) providing flexibility in managing and financing a group’s activities, as the grant will be provided at the outset of the project (many Japanese sources will grant money only after the project is successfully completed and the necessary financial documents are submitted);
(3) considering applications to cope with emerging issues not yet well recognized in the community.

Once the DAF funds had been committed, JCIE called for grant applications in Levi Strauss & Co.’s four designated priority areas. By tapping its network of small grass-roots organizations active in these areas, JCIE received 50 applications within a month, of which 22 organizations received grants totaling US$160,000. The second year, 59 applications were received, and 24 organizations divided the US $160,000 fund. Grants have included support for the Asian People’s Friendship Society to protect and improve the rights of foreigners in Japan who have overstayed their visas, and funding for Palette, an NGO that provides a place for mentally challenged people to meet, work, and live as part of the community.

CIT Activities at Levi Strauss Japan

Levi Strauss & Co.’s first Japan branch office was established in 1971, and in 1982 Levi Strauss Japan K.K. was incorporated with capital of ¥3.78 billion (US$32.6 million at ¥115.70=US$1). The CIT was created in Japan three years later, formed from the staff of the Personnel Department, for whom it was half volunteer, half assigned work.

Ken’ichi Ogiwara, who joined Levi Japan’s accounting department in 1990, was instrumental in transforming the CIT into a more active entity. He had been active in volunteer activities before he joined Levi Strauss Japan, and soon was able to encourage all the departments to join the CIT, with at least one person participating from each section. The 20-member team decided that it should become more proactive in finding grantees instead of relying on recommendations from an outside NGO. They also encouraged employee volunteerism and started advertising opportunities for volunteer work. At that time, while American executives were sympathetic toward their activities, the Japanese executives were less receptive. Nonetheless, CIT members started to take action, joining a project to bring physically challenged children to Disneyland; holding bazaars within the company to raise funds for their activities; joining charity marathons;
and so on. Their work began to be recognized, and eventually they were even able to secure two pages on corporate philanthropy and community involvement in their company brochures.

The second phase of the CIT was to go out and find grant recipients, and they began their search by visiting the Social Welfare Association of Minato Ward, where they were received with puzzlement: Why was a foreign company interested in supporting minor grass-roots organizations? Even the grass-roots organizations themselves had difficulty believing that Levi Strauss Japan was sincere in its desire to support such activities. But Ogiwara visited most of the organizations that the Levi Strauss Japan CIT was supporting and established a relationship with them.

**Challenges for the CIT Members**

The major challenge, as Ogiwara points out, has been to change the perception of people both within and outside the company and recruit them to join in the action. When the company was enjoying the fruits of the “bubble” economy, it had substantial funding and could expand its activities. However, after the bubble burst, corporate restructuring led to increased workloads and greater demands on the employees’ time, leaving little time to spare for the extra work of volunteering. Participation in the CIT activities diminished at the same time as demands to support community activities dramatically increased. After the Great Hanshin-Awaji Earthquake in Kobe, Japanese civil society began to emerge on a new scale, addressing a broad range of social issues such as domestic violence, child abuse, anti–land mine campaigns, revitalization of the community, and other social welfare issues. Accordingly, Levi Strauss Japan had to find a new way to cope with the new challenges facing Japanese society.

In response, the Levi Strauss & Co. headquarters suggested a partnership with JCIE. This led to heated arguments among CIT members over the question of whether they should depend on an outside NGO, but Ogiwara persuaded them that such a strategy was necessary given the current limitations. He also realized that working with a third party would provide an objective
perspective that would be helpful since he himself tended to become so deeply involved and committed to each recipient organization. The members eventually accepted this proposition and started to work with JCIE.

**Challenges for JCIE**

One major challenge for JCIE was to be sensitive to the aspirations and enthusiasm that had been cultivated among the members of the CIT. Although JCIE bears the ultimate responsibility in redistributing the DAF grants, it has tried to invite members of the CIT to participate in the process, as well as in the final screening of the grant applications. After the first year, some members of the CIT confessed to Ogiwara that they realized they had much to learn about managing grant-making activities, and that they wanted to continue to learn from this partnership so that they would be able to operate at the same level as a professional NGO in the future. These were encouraging words for JCIE.

Another challenge for JCIE has been to grasp the overall picture of the fields that the Levi Strauss Foundation wishes to support and to reach out to needy grass-roots organizations. It certainly has given JCIE the opportunity to expand its scope and learn about citizens’ activities at the grass-roots level, adding to its understanding of current social issues as well.

As forerunners of a new type of working relationship—the donor advised fund—JCIE and Levi Strauss Foundation must also challenge themselves to find appropriate ways of encouraging other Japanese businesses to find creative and innovative ways of pursuing corporate-NGO partnerships.

**CONCLUSION**

Levi Strauss & Co. regards the donor advised funds in Japan and France to be successful, and is exploring similar arrangements in other countries. The Levi Strauss Foundation staff has noted a
number of advantages to this new model of community involvement. First, the DAF enables the company to leverage in-country expertise and, based on shared values and funding interests, develop a strong partnership with the intermediary organization. Second, forging links between grass-roots NGOs and local, established intermediaries contributes to strengthening the nonprofit sector overall. Third, by choosing a strong and well-respected intermediary with links to in-country stakeholders, the company’s grant making can receive a higher profile by association. Fourth, funds for evaluation, administration, and other staffing tasks are treated as part of the grant, thereby relieving corporate operating budgets and allowing funds to be redirected to support grant-making activities in other countries. (Obviously, the merit of such cost saving should be carefully reviewed, as the staff time and costs associated with the DAF model, such as coordinating employee advisory committees, managing fund relationships, and legal fees to set them up, can be substantial.) Fifth, because there is basically one “grantee,” or one conduit that the employees now deal with in each country, the staff workload and the logistical and linguistic issues have been reduced.

For the intermediary NGOs that serve as the grantees of the donor advised funds, this model allows them to respond to what they judge to be the priority concerns in the NGO community in their country, which in turn can satisfy Levi Strauss & Co.’s desire to respond to stakeholders’ interests. JCIE, in fact, has expanded its network and improved its staff’s capacity to work with NGOs in Japan, which in turn should make JCIE better equipped to respond to Levi Strauss & Co.’s interests.

Bearing these points in mind, there seem to be several requirements for creating a successful partnership between donor and intermediary in a DAF. First, the donor and the intermediary should share a similar grant-making philosophy, goals, and values in order to foster mutual trust and a collegial spirit. Second, there should be close communication between the two organizations in order to share information on grant opportunities and to ensure that the grants match the donor’s interests. Third, because it is the intermediary organization that issues the
grant checks, that organization should make sure that full credit for the grants be given to the donor, so that individual grantees can establish a relationship with the donor or its local affiliate. Fourth, and related to the third, the intermediary should make every effort to involve local staff of the donor in the grant-making activities. Unless these factors are sufficiently emphasized, the original intention of the donor, in this case the Levi Strauss Foundation, to effectively implement its basic philosophy of corporate community involvement in foreign countries will not be realized.