Should Groups Give?

We make a living by what we get, but we make a life by what we give.

The late Milton Friedman [1], widely recognized as one of the greatest economists of the 20th century, famously argued in a 1970 New York Times Magazine article that corporations have no business concerning themselves with philanthropy. Instead, he insisted, the only “social responsibility of a business” is to “increase its profits.” Every time corporations make donations, they take away from individual shareholders the choice of how to use the funds. Corporations, Friedman argued, should simply maximize the return they provide on their shareholders’ investments, and leave it to shareholders to determine whether and how to engage in philanthropic activity.

Friedman likely had in mind large corporations, yet his argument applies no less to medical group practices. If he is correct, radiology groups have no more business giving away money to charity than do Microsoft or General Electric. Following Friedman’s reasoning, the only legitimate business of a radiology practice is to maximize the income it provides to its partners. If some of the partners choose to donate portions of their incomes to charity, that is their prerogative. The group as a whole, however, should focus its resources on strictly self-interested economic objectives.

In a 2002 Harvard Business Review article, “The Competitive Advantage of Corporate Philanthropy,” Michael Porter and Mark Kramer [2] pointed out that Friedman’s [1] argument is based on 2 crucial assumptions. The first is that social and economic objectives are always distinct. In the case of medical group practices, Friedman argued, organizations face a choice between two mutually exclusive alternatives: to maximize return to the partners or to pursue social objectives and thereby put the group’s resources to less efficient use. The second assumption is that medical groups cannot outperform individual physicians at achieving social goods. No matter how hard a group tries, it can never improve on the giving choices that its members would make if they acted individually.

Porter and Kramer [2] argued that these assumptions are not necessarily warranted. They described what they called “true strategic giving,” an approach to corporate philanthropy that enables organizations to address both social and economic goals simultaneously and to pursue social objectives that would be much more difficult, if not impossible, for donors to achieve if they acted individually. For example, a corporation that invests in education can both benefit the local community and improve the quality of its future workforce. Moreover, it can do so at a level of magnitude well beyond the reach of individual employees. Such investments are especially important in our increasingly knowledge-based economy.

Some might object to a call for increased medical philanthropy on the grounds that medicine is an inherently philanthropic profession and that everything physicians do is directed to the benefit of patients and communities. From this point of view, why should medical practices devote any additional effort to philanthropy? Part of the answer lies in the distinction between activities we are paid for and those for which we are not compensated. Physicians derive income from most of the patient care we provide, and Medicare and Medicaid have led many physicians to expect to be compensated for every patient encounter. Far from undermining the importance of philanthropy, this expectation has heightened it.

Another objection to medical philanthropy is the so-called free-rider problem. If practice A invests in community education but practice B does not, practice B will be able to derive many of the benefits of a better-educated workforce at no additional cost. Porter and Kramer [2] argued that the free-rider problem can be overcome by keeping such philanthropic investments local and away from competitors, tightly targeting philanthropy to an organization’s distinctive strategy, and recruiting competitors to become involved in shared philanthropic activities. Their research suggests that corporations that contribute the most realize the biggest advantages in improved reputation and relationships.

Of course, monetary donations are not the only form of philanthropic activity. To conceive of philanthropy strictly in terms of donation takes too narrow a view. The question is not just “How much are we giving?” Equally and perhaps even more important is voluntary service. We need to be asking not only “How much are we giving?” but also “What are we doing?” and “What difference are we making?”

Another Harvard Business School professor, James Austin [3], enumerated numerous benefits that accrue to organizations that commit to community service. Service-oriented physician practices soon develop reputations for social responsibility. These reputations make them more at-
tractive to prospective patients, who want to be cared for by a group of physicians they can believe in. Should an adverse event occur, patients are more likely to stick with a group that has built up a storehouse of goodwill. It is heartening to patients to know doctors as committed neighbors, people who are respected and trusted because they are making a difference in the community.

Service offers great benefits to physicians and other health-care workers. It helps in recruitment, because the best people want to work for a good organization. Any competitor can offer more money, but only socially responsible organizations enjoy such noneconomic competitive advantages. Once people are hired, a well-deserved reputation for community service augments commitment, fulfillment, and retention. Just as patients want to be cared for by people they believe in, so physicians, nurses, and technologists want to feel proud of their practice. To be our best, we need to feel that we are playing a part in promoting ideals that transcend the workplace and finding a deeper level of fulfillment that a paycheck alone cannot provide.

Austin [3] argued that corporate service programs provide important opportunities to develop people. When workers play a leadership role in service organizations, we gain valuable experience formulating missions, planning strategically, and making resource allocation decisions. We develop our abilities in the areas of teamwork, listening, and decision making. When people volunteer, we can always walk away, so leaders need to develop a vision that inspires and keeps others on task. In short, service develops our leadership abilities. It also calls on our sensitivity and compassion and thus offers us important opportunities to grow as caregivers.

How can medical group practices add real value to philanthropic activity? We can ensure that we make the most of our giving. This means seeking out and serving the very best causes, where the opportunity to make a difference is greatest. We can also serve as role models for other organizations, helping others to appreciate the importance of giving. By sharing medical expertise with those we serve, we can contribute in ways that mere money cannot. By excelling, we can advance knowledge and practice in the larger field of philanthropy.

Porter and Kramer [2] offered guidelines on how organizations can make the most of their giving. First, each group needs to understand the relationship between its economic context and its philanthropic activity. Where does the group offer real value to patients and the community it serves, value that others would find difficult or impossible to provide? Once the group has identified this contribution, it can focus on opportunities that provide the greatest economic and social impact. For example, a group of pediatric radiologists who want to improve the health of children in their community might help develop an educational exhibit for a local museum on child safety.

Although attention and enhanced reputation are important, they can lead groups astray in planning their philanthropic activities. The goal is not merely to enhance a group’s public relations to the greatest degree but to make a real contribution to those the group is serving. To assist in this effort, Porter and Kramer [2] suggested examining different alternatives in light of this question: which philanthropic direction would the group pursue even if no one would ever know about it? The goal, of course, is not to keep philanthropic efforts under wraps, because this would undermine some of the objectives of strategic philanthropy. It does, however, help ensure that the members of the group are sufficiently enthusiastic about a project that they would opt for it even if it offered no public relations benefit.

Consider the philanthropic mission of education. Are our radiology groups, whether academic or community based, contributing to the education of the next generation of radiology professionals? How many of us are helping fund radiology student interest groups at medical schools or radiology residency and fellowship positions? Are we playing a service role in such programs by encouraging our colleagues to teach and to provide meaningful educational experiences for prospective radiologists? What contribution are we making to continuing medical education and the education of the next generation of radiologic technologists?

Radiology’s future would brighten considerably if each of us regularly asked such questions, not only of our own groups but of every group we visit.

REFERENCES


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