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Pouring profits into non-profits

By John Boudreau
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Give Something Back, an East Bay office-supply company, has something of an identity problem. It's not a non-profit. It just acts like one.

Give Something Back has a dual business plan: Sell pens and paper clips to other businesses — and give away as much money as possible to charity. In fact, its net profits are donated to non-profits. So far the 12-year-old company has donated about \$2.5 million. Customers and employees decide which organizations get grants.

The company's name does not quite convey "saving money for customers and great customer service," admits co-founder Sean Marx. "We've probably had to fight harder to convince people on that front."

Marx and business partner Mike Hannigan decided from the beginning to model their Oakland company after Newman's

Own, the food company launched in 1982 by actor Paul Newman, that donates its after-tax profits.

After working for a copy-machine company together, Marx and Hannigan decided they wanted to start their own business — a venture that had more than a solid bottom line.

"We wanted to do community work, but we also wanted to be in the business world," Hannigan said.

Included in the company bylaws is a salary cap the co-founders imposed on themselves to limit their income to 80 percent of what their counterparts at similar companies make. Each earns about \$96,000, they said.

"We feel fairly compensated," Hannigan says. "There are people working just as hard as us and making less."

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Sean Marx, above, and Mike Hannigan decided to model Give Something Back after Newman's Own, Paul Newman's food company.

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Last year, Give Something Back (www.givesomethingback.com) had sales of \$25 million, most of it in Northern California. Marx and Hannigan anticipate growth of about 10 percent a year in the \$170 billion to \$250 billion industry. Although the company doesn't have a retail wing (it sells directly to businesses), its competitors include Office Depot and Staples.

Alum Rock Counseling Center, a non-profit that provides after-school programs for high-risk teens in East San Jose, became a customer of Give Something Back a few years ago. Then it became a grant recipient.

"We got involved with them not intending to get a grant, but because they provided a competitive price," said Jose Montes de Oca, executive director of Alum

Rock Counseling Center. His agency received a \$3,150 grant from the company last year.

"It was quite amazing to us," he said.

Non-profits are asked to apply for grants. Each one is screened by local community foundations before being placed on a ballot.

Customers and employees are given a ballot listing the names of 50 to 60 non-profits. Each company is asked to pick 10 charities to support. Likewise, the 86 employees of Give Something Back fill out ballots. The companies represent 40 percent of the vote, employees, 30 percent, and the co-founders, 30 percent. The grants of \$500 to \$20,000, which go to non-profits ranging from a dance troupe to an AIDS clinic, are based on the proportion of votes each agency gets.

This model is drawing interest from business stu-

Give Something Back customers and employees help decide which organizations get grants.

dents at Stanford University and the University of California-Berkeley, the co-founders said.

"We get called regularly to speak at business schools," Marx said. The recent scandals involving companies such as Enron and Global Crossing "has highlighted the importance of holding businesses accountable to their communities."