



# Increasing Impact, Enhancing Value

A Practitioner's Guide to Leading Corporate Philanthropy



COUNCIL *on* FOUNDATIONS



## COUNCIL *on* FOUNDATIONS

The Council on Foundations is a national nonprofit association of more than 1,700 grantmaking foundations and corporations. As the leading advocate for philanthropy, we strive to increase the effectiveness, stewardship, and accountability of our sector while providing our members with the services and support they need to advance the common good.

© 2012 Council on Foundations. All rights reserved.

# Increasing Impact, Enhancing Value

A Practitioner's Guide to Leading Corporate Philanthropy

## Contents

<b>2</b>	<b>Our Leadership Moment</b>
<b>4</b>	<b>Executive Summary</b>
<b>6</b>	<b>Introduction</b>
<b>8</b>	<b>The Emerging Leadership Challenge for Business</b>
<b>12</b>	<b>Voices From the Field</b>
<b>14</b>	<b>The Current State of Corporate Philanthropy</b>
<b>15</b>	<b>Self-Dealing: A Word to the Wise</b>
<b>17</b>	<b>The Leadership Imperative: Our Path Forward</b>
	■ Create a new narrative for corporate philanthropy as an investment in society.
	■ Develop an inclusive “operating system” for philanthropic investment.
	■ Professionalize the field.
	■ Improve collaboration, communication, and knowledge sharing.
	■ Mobilize “field level” leadership behind this agenda.
<b>40</b>	<b>Conclusion</b>
<b>41</b>	<b>Endnotes</b>
<b>43</b>	<b>Case Studies</b>
<b>47</b>	<b>Resources</b>

Visit [www.cof.org/corporateguide](http://www.cof.org/corporateguide) for additional resources.

# Our Leadership Moment

What is the role of corporate philanthropy in business and society? Whether you work in a corporate giving program or a corporation's affiliated foundation, this guide will help you ignite important conversations, assess options, and find your answers to this vital question. As a practitioner in the field, you may be familiar with many of the issues and concerns it addresses. But corporate philanthropy is transforming and will continue to evolve. These conversations are worth having.

To be sure, corporate leaders have never shied away from ambiguity and controversy. Our predecessors recognized, embraced, and shaped the transformative moments of history that allow corporate giving programs and foundations to serve society today in disciplined and meaningful ways. Now, the corporate world is in the midst of another such moment. As in the past, it brings tension, risk, and great opportunity. Society demands progress and accountability, and our businesses require impact.

The corporations we represent have tremendous potential to heal or to harm. How do we engage the full spectrum of our corporations' assets to ensure the results are positive—for the business and for our communities? What skills and competencies must we and our colleagues master? What are the appropriate next steps for corporate philanthropy in light of the critical issues around the globe?

In this guide, “corporate philanthropy” refers to the activities a company voluntarily undertakes to responsibly manage and account for its impact on society. It includes cash contributions, donations of products and services, volunteerism, and other business transactions to advance a cause, issue, or the work of a nonprofit organization. Corporate foundations and corporate giving programs traditionally play a major role in these areas.

These questions—and dozens like them—are the questions of our time. Individually, we feel the power of the moment, yet its shape and size seem constantly just beyond our reach. Together, however, we are engaged in the task, advancing the dialogue and defining the opportunity in ways that seemed distant even a couple of years ago.

This document offers an agenda and an invitation to seize this moment. We hope its framework will help you identify your place along the spectrum of corporate philanthropy and guide your path forward. It represents the best thinking of your colleagues and crystallizes the conversations that got us to this point. We hope it inspires continued dialogue, and we welcome you to join the conversation.



**Jean Lim Terra**  
 President  
 The Amgen Foundation  
 Thousand Oaks, Calif.



**Rhonda Mims**  
 President  
 ING Foundation  
 Atlanta



**ArcelorMittal**  
**Heather Loebner**  
 Executive Director, Corporate Responsibility,  
 Americas  
 ArcelorMittal  
 Chicago



**Wendy Ramage Hawkins**  
 Executive Director  
 Intel Foundation  
 Portland, Ore.



**COUNCIL on FOUNDATIONS**

**David Etwiler**  
 Board Member  
 Council on Foundations  
 Minneapolis



**Dinah Waldsmith Dittman**  
 National Director, Community Engagement  
 and Philanthropy  
 Kaiser Permanente  
 Oakland, Calif.



**Bo Miller**  
 President and Executive Director  
 Dow Chemical Company Foundation  
 Midland, Mich.



**Robert Smith**  
 President  
 Eli Lilly and Company Foundation  
 Indianapolis



.....  
**GENERAL MILLS FOUNDATION**

**Ellen Luger**  
 Executive Director  
 General Mills Foundation  
 Minneapolis



**Jacob Gayle**  
 Vice President, Community Affairs  
 Medtronic  
 Executive Director  
 Medtronic Foundation  
 Minneapolis



**Ann Cramer**  
 Director Americas, Corporate Citizenship  
 and Corporate Affairs  
 IBM  
 Atlanta



**Caroline Roan**  
 President  
 Pfizer Foundation  
 New York

# Executive Summary

Leaders of corporate foundations and giving programs have an opportunity to redefine the role of corporate philanthropy. By taking the initiative to align and engage their efforts more closely with the business, these leaders can help unleash new resources and ideas that can greatly enhance the company's positive impact on society. At the same time, this alignment can create new value for the company and increase its competitive advantage.

Research on the state of corporate philanthropy and interviews with practitioners from the field found the following:

- **Communications and knowledge sharing must improve.**
- **Pressure to align corporate philanthropy with the business is increasing.**
- **Approaches to giving vary broadly.**
- **Integration with the business can present significant challenges.**
- **Corporate structure matters.**
- **Measurement and return on investment remain critical challenges.**
- **Business acumen is essential.**
- **Collaboration for collective impact is important.**
- **Globalization presents new challenges.**
- **The field is ready to move forward.**

By embracing the following agenda, leaders of corporate foundations and giving programs can advance the practice and profession of corporate philanthropy. The agenda has five elements:

## **1. Create a new narrative for corporate philanthropy as an investment in society.**

**WHERE WE ARE:** Most companies still perceive their philanthropy as charity. They do not focus on the actual results of their philanthropy or how it has affected the company's interests.

**WHERE WE NEED TO BE:** Companies view their philanthropy as contributors to breakthrough collaborations and innovations that address complex social challenges.

## **2. Develop an inclusive “operating system” for philanthropic investment.**

**WHERE WE ARE:** Most corporate philanthropy models use charitable contributions as the singular investment tool.

**WHERE WE NEED TO BE:** An “investment portfolio” model aligns giving and rallies corporate assets to benefit society and drive business success.

## **3. Professionalize the field.**

**WHERE WE ARE:** The practice of corporate philanthropy focuses primarily on managing contributions.

**WHERE WE NEED TO BE:** Corporate philanthropy is an essential, integrated business leadership function and is considered a professional field.

#### 4. Improve collaboration, communication, and knowledge sharing.

**WHERE WE ARE:** Practitioners are neither effectively communicating the value and impact of corporate philanthropy to the public nor successfully collaborating or sharing knowledge within the field.

**WHERE WE NEED TO BE:** The corporate philanthropy field enhances its external leverage through a powerful platform for communication and collaboration.

#### 5. Mobilize “field level” leadership behind this agenda.

**WHERE WE ARE:** The corporate philanthropy field lacks a unifying mechanism to address the need for leadership and change.

**WHERE WE NEED TO BE:** With individual leaders at its nucleus, the corporate philanthropy field commits to increasing impact, enhancing value, and supporting transformation.

#### WHAT YOU CAN DO:

- Reflect and consider which model for philanthropy as a value-added investment in society is appropriate and what that means for you and your company.
- Discuss this guide with your peers in other companies and with regional grantmaker associations.
- Engage others in your company in a discussion on the guide’s questions and themes.
- Identify the additional resources and organizations you need to drive this agenda for change.
- Bring this agenda to the leadership and field-service organizations in which you participate and share the results with us.
- Share your story and share learning when you are among your industry, geographic, and regional association networks.
- Consider mentoring at least one other company on its journey and join with us in exploring the best way forward.
- Collaborate with your peers to help the field prioritize key issues we can work on together to advance the field.

Today, the social contract that ensures our economic and social well-being is under duress. As governments struggle under the impact of globalization and financial austerity, society now looks to business to take much greater responsibility in finding solutions to our immense challenges. This is a new role—one that many businesses are just beginning to learn to manage.

Visionary leaders in our field have proved that when corporate philanthropy is managed as an investment in society it can become a powerful catalytic force for change. An enormous opportunity exists for corporate philanthropy leaders to step up to this challenge. In so doing, we will give new life and purpose to corporate philanthropy and increase its value to society and business.

# Introduction

This guide lays out an ambitious agenda to redefine the purpose and value of corporate foundations and giving programs so that they can meet the challenges of corporate citizenship. Economic uncertainty around the globe demands greater commitment, adaptability, and courage on the part of corporations and their foundations and giving programs. This guide seeks to engage the corporate philanthropy community in discussion so that it can continue to increase its impact as a significant contributor to society and enhance its value to the companies they represent.

Some of the world's leading corporations and corporate philanthropies made this effort possible through generous contributions and active involvement. They include ArcelorMittal, The Amgen Foundation, The Dow Chemical Company, Eli Lilly and Company Foundation, General Mills Foundation, IBM Corporation, ING Foundation, Intel Foundation, Kaiser Permanente, The Medtronic Foundation, and Pfizer Foundation. The guide culminates a 12-month research project managed and supported by the Council on Foundations and a leadership team drawn from the Council, the Aspen Institute, and our corporate sponsors.

To start our work, we conducted research to better understand the changing role of business in society and society's increased expectation for corporate responsibility and leadership in addressing social problems. Against this backdrop, we then explored the latest in management thinking on ways businesses can effectively respond to these expectations. We looked especially at the innovations of leading companies in rethinking the role of their corporate foundations and corporate giving programs.

We consulted extensively with corporate philanthropy professionals and leaders throughout the United States. This included a series of consultations in spring 2011 organized in cooperation with regional associations of grantmakers in Atlanta, Chicago, Minneapolis, New York, Los Angeles, and Oakland, Calif. We held workshops at the Council on Foundations annual meeting in Philadelphia and with the Monitor Institute in New York. And we interviewed key stakeholders concerned with social development issues and the role of philanthropy. These included executives of leading private foundations such as the Ford Foundation, the Charles Stewart Mott Foundation, the Rockefeller Foundation, and the Skoll Foundation; leaders in social development initiatives such as the United Way and the Clinton Global Initiative; and other organizations concerned with corporate citizenship and philanthropy, including the Conference Board, the Business Civic Leadership Center, the Committee Encouraging Corporate Philanthropy, and the Foundation Strategy Group.

What emerged was a picture of a corporate philanthropy field that is increasingly bifurcated and in limbo, looking for direction and leadership. There continues to be tension between those who believe philanthropy should be strictly about "charity" and separate from the business and those who think it should be integrated with the business to create value for the business and society. Companies are struggling to understand where they should fall along that spectrum—and why—as well as what is the appropriate role of a corporate foundation.



This guide aims to break through this divide by reframing the role of corporate philanthropy around the central premise of creating the most value for society. It proposes an “investment portfolio” approach to corporate philanthropy management in which philanthropy becomes not only an expression of corporate values but an important instrument for value creation. It calls for companies to apply to corporate philanthropy the same strategic principles the company uses in value creation, alignment, and integration.

This investment portfolio approach to corporate philanthropy reflects a broader discussion in the larger philanthropic world. In 2011, a Council on Foundations working group on Defining Philanthropy’s Role in Society proposed a redefinition of philanthropy as “the independent, innovative investment in community building,” noting “the reason we use investment is to distinguish between charity and philanthropy.”

Support for this approach will require professional development for current and emerging managers in corporate philanthropy. These individuals, in turn, must be willing to adapt and evolve. The approach also will entail developing effective ways to share knowledge across the field and encourage collaboration to achieve scale and impact. Finally, it will require leadership and commitment from senior corporate executives, foundation leaders, and the membership organizations that provide support to the corporate philanthropy field.

In proffering this agenda for change, we acknowledge a North American bias. We hope, however, that the inclusive nature of the investment portfolio approach at the core of this agenda can be usefully adapted wherever companies may operate. By its very nature, a portfolio model assumes that each company and corporate philanthropy practitioner must find the right balance of investments for their circumstances and the cultural context in which they operate. One size does not fit all.

The good news is that many of the tools to support this agenda exist or are in development. More important, many excellent examples showcase the value of philanthropy when it is seen and managed as an investment in society. We hope this agenda will help practitioners realize the opportunity in this new approach and find a practical way forward.

This guide reflects the work and thoughts of many people. I particularly want to recognize the unwavering engagement and support of the Council staff, including Elizabeth Sullivan, Kimberly Young, Melanie Preston, Ashley Mills, and Dan Levin as well as our volunteer cochairs, Ann Cramer, David Etwiler, Wendy Hawkins, and Dinah Dittman, and the sponsors whose active participation and support made this effort possible.

Chris Pinney  
Senior Fellow, Aspen Institute  
Corporate Philanthropy 2012 Project Lead  
April 2012

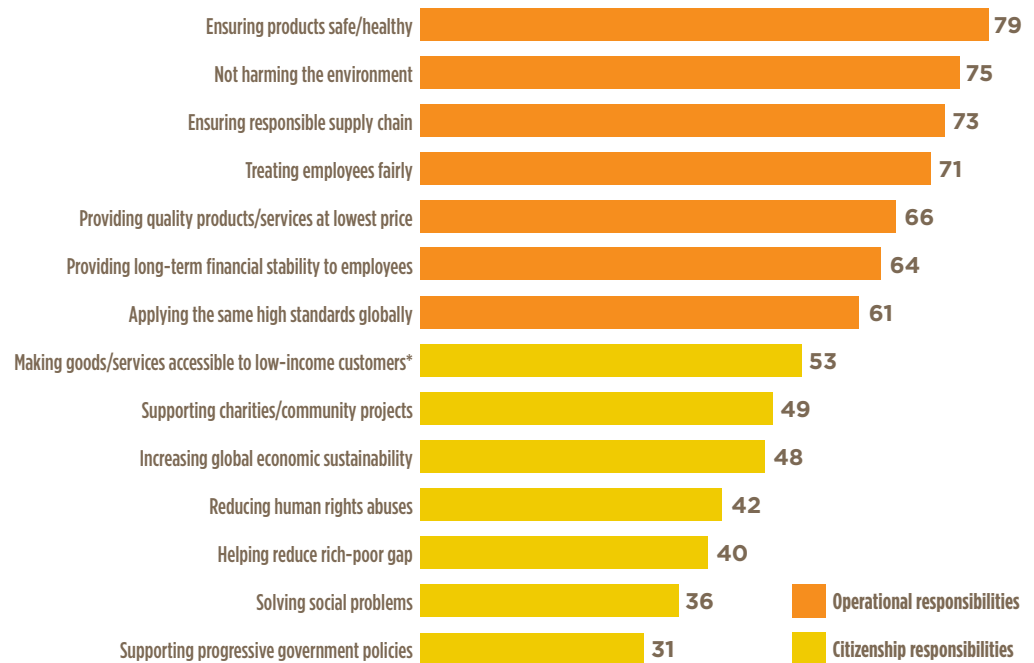
# The Emerging Leadership Challenge for Business

For most of the 20th century, society’s expectations of business were fairly straightforward: Employ people, pay taxes, obey the law, and provide support for communities through philanthropy. In this environment, a visible corporate foundation operating at arm’s length from a corporation and making charitable grants was the hallmark of a good corporate citizen.

Today, this environment has fundamentally changed. As the power and influence of businesses have grown, so have society’s expectations. Not only does society now want corporations to take much more responsibility for their social and environmental impacts, but we now expect corporations to provide leadership and address pressing social challenges—narrow the gap between the rich and poor, solve poverty, reduce human-rights abuses.

Corporate citizenship is now defined by what a company “does,” not what it “gives.” A 2010 survey by the Edelman public relations firm shows that 69 percent of consumers globally now believe corporations are in a uniquely powerful position to make a positive impact on good causes.<sup>1</sup> The figure reaches 80 percent in the United States. *Two-thirds (64 percent) believe it is no longer enough for corporations to give money; they must integrate good causes into their everyday business.*

## Society’s Expectations of Corporate Responsibilities



Average response to GlobeScan Radar 2011 poll of 28 countries. Asterisk indicates question was asked in 16 countries.

What is driving this change? Why are businesses now expected to take greater responsibility for society and provide leadership on social issues? In a word, the answer is “globalization.” Fueled by falling tariff barriers, telecommunications, and transit costs, the power and influence of business has increased dramatically over the last 25 years. Half of the world’s top 100 economies are, in fact, businesses, and 200 global firms account for more than one-quarter of the world’s economic activity.<sup>2</sup>

At the same time, as the power of business has increased, the relative power and capability of governments in most developed countries has decreased. Almost all governments in the developed world are now in fiscal and political crisis, unable to maintain social services, effectively regulate markets, and ensure the economic and social stability on which business and society depend.

As governments lose capacity, they are losing public trust. The result is an increasingly hostile and polarized political environment. We are seeing growing social discontent and protests such as the Occupy and Tea Party movements in the United States and riots linked to severe austerity measures in Europe. More and more, the public is looking to the business world for leadership, not just in the economic realm but in the social realm. A 2009 Waggener Edstrom Poll<sup>3</sup> found that 60 percent of consumers believe that businesses are in the best position to create positive results on social issues, as opposed to 14 percent who cited governments. This dynamic of high expectations and low trust is creating pressure on businesses, especially large companies, to provide effective leadership in this area.

This changing environment poses management challenges for the corporate world. Companies are exploring a broad range of innovative practices across their business domains in order to adapt and stay relevant. They are changing the products and services they take to market, sharpening supply-chain management, examining how they govern themselves, and demonstrating their accountability to society. Thought leaders are finding more effective ways for businesses to integrate social and environmental leadership into their core business strategy and operations. It should not be surprising, then, that the traditional model of a corporate foundation operating at arms distance from the parent company is increasingly in question.

Thus, the question: How can corporations integrate philanthropy most effectively to support the organization while maintaining fidelity to its philanthropic mandate and legal guidelines?

To better understand the current state of the relationship between corporate foundations and giving programs and their parent businesses, we sought answers to these questions.

- What is the current state of the corporate philanthropy field in terms of its management practices and alignment with business? What challenges do practitioners face? Where do they see opportunity?

- How do key external stakeholders see the value of corporate philanthropy? Where do they see opportunities to strengthen its impact?
- What best practices and approaches illustrate successful alignment between corporate philanthropy and businesses and create greater value for both? What are the promising strategies and tools behind these examples?

Our research identified a field in transition and in varying stages of development. In some cases, corporate foundations are managed almost autonomously from the company and its broader corporate citizenship strategy. In others, the corporate foundation and its philanthropy are directly integrated and managed as part of corporate citizenship, which in turn is integrated with the business strategy. Some foundations are led and staffed from outside the company by individuals with nonprofit or academic backgrounds but little or no experience in business. Others are led from within the company by those with strong business backgrounds but limited experience working outside that realm. Given this broad mix, it is unsurprising to see a range of opinions on the role and value of corporate foundations, as the quotations from the field on page 12 indicate.

At a practical level, corporate philanthropy practitioners see a range of challenges in aligning with the business. Communicating and creating common understanding of the role of philanthropy within the company were recurring themes, as were attracting and retaining the right talent, aligning the public affairs and marketing functions, and bridging culture and work styles.

Many cited human resources as an area with great potential for alignment. Several noted that their CEOs see a clear connection between the impact of their philanthropy on their reputation and on employee recruitment, retention, and productivity. Other potential areas for engagement were investor relations (linking to reputation and risk management) and the office of diversity. Standing above all internal alignment challenges, however, was the issue of how to measure the value of corporate philanthropy's external and internal impacts in ways that are understood and accepted within the business.

When it comes to working with external stakeholders, most corporate philanthropy leaders said they felt confident in their ability to build good working relationships with nonprofits and community organizations. However, as companies increasingly assume leadership roles on complex social issues, creating higher level collaborations involving many stakeholders is posing new challenges. Particular areas of concern were building collaborative relationships with “competitors” and governments.

Participants said it was often difficult to break through the “recognition” barrier when it comes to corporate partnerships with multiple stakeholders, and few could cite examples of effective partnerships where in-depth collaboration and learning took place.

Globalization is also creating particular challenges for foundation and philanthropy managers within larger global companies. They find they must now learn how to work in very different cultures with different norms regarding philanthropy, charity, and the role of

business. These issues compound for companies with philanthropic presence in countries where corporate philanthropy is not the norm and in some cases is seen as culturally insensitive or even subversive.

However, leading companies are generating powerful models for aligning and integrating corporate philanthropy with the business. These models not only respect the traditions of responsive corporate philanthropy but expose new avenues for corporate foundations and giving programs to address social challenges. In these models, explored later in this guide, corporate foundations and giving programs expand their role from simply a source of charitable contributions to a valued partner that helps the company better understand social needs and expectations. These models also are important catalysts to help corporations address social issues directly through innovative business practices. It is important to note, however, that although activities of the corporate foundation may generate some incidental information that may be helpful to the philanthropic activities of the corporation, the company cannot use the foundation as a source of marketing or business research. There is substantially more flexibility when direct giving resources are used.

What was striking in almost all interviews was an acknowledgement of the need for change. Almost all practitioners pointed to their search for better ways to manage the expectations they sense from both inside and outside the business. As one said: “We need to be agile with change, staying relevant, investing in strategies and technologies and human resources that allow us to be flexible and adaptable to an ever-changing environment.”

The table below summarizes some of the key changes underway within the broader corporate philanthropy field, with most companies somewhere in the middle of the transformation from the current to the emerging paradigms.

## Emerging Trends in Corporate Philanthropy Operations

CURRENT PARADIGM	EMERGING PARADIGM
Values	Values and Value Created (ROI)
Charity Mindset	Investment Mindset
Responsive	Proactive and Responsive
Transactions	Relationships
Needs Focused	Outcomes Focused
Organizations	Issues
Short Term	Short and Long Term
Isolated	Aligned and Integrated
Invisible	Visible
Cash, Employees	Cash, Employees, Full Value Chain
Reports	Knowledge
Managerial function	A Leadership Function

# Voices From the Field

With the corporate philanthropy field in transition and in varying stages of development, those who work in corporations and corporate foundations expressed a range of opinions in interviews with the project team.

---

**ON THE ROLE AND  
VALUE OF CORPORATE  
FOUNDATIONS:**

“We are fortunate to have a positive, 60-year reputation due to the historical strength of our foundation. However, if we were starting from a clean slate today, it is unclear that we would form a foundation. The company’s commitment to the foundation is a way for the company to demonstrate its commitment to communities. Having the foundation has exemplified that commitment in the past, but the foundation will not drive that commitment into the future.”

“It used to be easy to say what is foundation and what is corporate [responsibility]. At the end of the day, the line between them for our industry has become pretty blurry. The corporation has to move away from any sense of self-dealing, so it falls back on the foundation.”

“Other companies may be thinking about the relevance of a foundation, but we think it’s the only safe haven. The foundation’s contributions report stands alone, and we’ve considered combining it with the company report. But people don’t want to do that because the foundation has such a halo around its work...”

“If we had a foundation, people would know the name of the organization. It would be an administrative advantage.... However, if you have a foundation, you are at risk of a disconnect between the philanthropy and the company.”

---

**ON THE CHALLENGES  
OF ALIGNING WITH THE  
BUSINESS:**

“A particular challenge in talking to businesspeople about the benefit to the community is that in their mind...they see it as charity-oriented, helping the less fortunate.... They feel good about the company being charitable, but they struggle to see the connection between the company’s strategic philanthropy and the business we’re in.”

“What we need are people who understand business and societal needs.”

“It is difficult to work with their short-term deadlines and narrow perspectives.... At the same time, our jargon and broad perspective get in the way of finding the right story.”

---

**ON MEASURING THE  
VALUE OF CORPORATE  
PHILANTHROPY'S IMPACT**

“We need to set common goals and measure our progress toward them.”

“We need to be able to link the impact we achieve in the community to business success.”

“We need to translate community involvement activities to business value and ROI.”

---

**ON BUILDING  
COLLABORATIVE  
RELATIONSHIPS WITH  
“COMPETITORS” AND  
GOVERNMENTS:**

“What I've observed is that through no fault of any party, there is only a small understanding by government of how business works, and vice versa. Governments have their mindset, and corporations have their mindset. When they're all in a room, there's no shared understanding of each other's realities. I think fundamentally unless there's more work to get to understanding, the true partnerships aren't really going to emerge.”

---

**ON DIFFERENT NATIONS'  
CULTURAL NORMS  
REGARDING CORPORATE  
PHILANTHROPY:**

“In many of the countries where we were working, philanthropy was a foreign concept, especially individual philanthropy and volunteering. It was seen as the role of the government or the church. And that has changed very rapidly, finding much more acceptance now of the civil society. Each culture and political environment puts a different spin on it, understanding what that is and how to work within that.”

“All politics are local; all these issues are going to be different. Emerging markets are each different, [and we have] got to have an ability to engage with people in those communities in a different way.”

“There are a lot of challenges and concerns about when is the right time to engage in these developing countries. How do we make sure the foundation is not being used to buy influence or access to people?”

---

**ON ADDRESSING SOCIAL  
ISSUES BY MODELING  
INNOVATIVE BUSINESS  
PRACTICES:**

“The foundation has the capability of developing relationships with other entities that are good partners but are wary of partnering with a big corporation. The foundation can be a visible ‘white hat.’ These are people you can talk to, and they speak your language. And they will introduce you to people who will enable the project initiative that you're working on.”

“Senior management views our foundation as a business partner, and work is valued as both developing relationships and bringing goodness to the brand...even when not originally conceived with that as the goal.”

# The Current State of Corporate Philanthropy

Our review of the current state of the field clearly demonstrates that the door is open for those who work in corporate foundations and giving programs to ensure the company has a greater positive impact on society. Here are the top findings from our research:

- **Communications and knowledge sharing must improve.** Corporate philanthropy faces a communications challenge, both within the business and with the public. The narrative is stalled in a one-dimensional world of “charity” and “doing good” and confounded with marketing initiatives viewed as “window dressing.” These are perceived as inadequate responses to the scale of challenges society now faces. Further, a lack of collaboration and inadequate measurement standards mean little knowledge exists about the true impact of corporate philanthropy either within companies, between companies, or on the public.
- **Pressure to align corporate philanthropy with the business is increasing.** Most corporate philanthropy professionals say they are under increasing pressure to align corporate philanthropy and giving with business objectives.
- **Approaches to giving vary broadly.** The spectrum of approaches to corporate philanthropy ranges from traditional responsive philanthropy (such as cash grants, matching gifts, “Dollars for Doers”) to strategic philanthropy (such as signature programs and partnerships). It also includes more integrated “shared value” and “investment” approaches designed to leverage a full range of business assets (product, people, and brand) to create value and impact for both the business and society.
- **Integration with the business can present significant challenges.** Many practitioners say they are isolated and marginalized within their firms, regarded by their corporate peers as tangential to the business. This frustrates their efforts to reach out and collaborate with their internal colleagues. At the same time, for businesses that have successfully aligned their corporate foundations or giving programs, a constant tension and balancing act can impede solutions that support business goals while safeguarding the reputation of their philanthropic programs from the legal concern and public perception of “self-dealing.” (See the sidebar on the next page.)
- **Corporate structure matters.** When it comes to aligning philanthropy with the business, structure matters. The position of the giving function within the company influences the company’s ability to leverage internal assets and creatively mobilize resources beyond dollars.
- **Measurement and return on investment (ROI) remain critical challenges.** As corporate leaders look to create greater value from philanthropy, measurement is an increasingly critical issue. This includes effective assessments of both the social and business impact of philanthropy. Despite considerable work on this issue over the last decade, no widely accepted standards exist for measuring the social impact of philanthropy or ROI for business (for example, impact on employee recruitment and retention, customer loyalty, and so forth).



- **Business acumen is essential.** The professional skills and competencies required to succeed in the corporate philanthropy role are evolving. Intimate knowledge of the business as well as of the community and society is increasingly essential to maximize social impact across the corporate enterprise. This can present a challenge for professionals coming from outside the business world into corporate philanthropy.
- **Collaboration for collective impact is important.** Companies recognize that they cannot make a significant difference on a social issue working alone. Yet they often have trouble sharing the spotlight with their corporate peers and participating in the kind of authentic collaborations designed to create greater value.
- **Globalization presents new challenges.** Global companies entering or operating in emerging markets are asked to address systemic social challenges and help build economic and social infrastructure. This requires a different approach to philanthropy than simply support for charities. It requires companies to find new ways to align their philanthropy with the core business to create a larger impact.
- **The field is ready to move forward.** Practitioners recognize the need for change, and prominent companies are providing good examples of ways to lead. They demonstrate that by aligning philanthropy with the interests of the business, corporate philanthropy can create significantly more value for society and the business alike.

### **SELF-DEALING: A WORD TO THE WISE**

The term “self-dealing” applies only to the activities of private foundations. It describes prohibited financial transactions between a private foundation and those in positions of influence over the private foundation such as the sponsoring corporation. The rules, in essence, are meant to ensure that the foundation uses charitable dollars appropriately. Despite this prohibition imposed by federal tax law, the self-dealing rules do not prohibit alignment between the charitable activities of the private foundation and the goals of the corporation. Corporate philanthropy practitioners trying to structure philanthropic activities between the corporation and the foundation must understand the self-dealing rules.

**What is prohibited?** Although some narrow exceptions exist, the self-dealing rules prohibit a private foundation from entering into *any* financial transaction with certain related parties defined in the law as “disqualified persons.” This pertains regardless of whether the transaction is fair and reasonable or benefits the private foundation. The term “disqualified persons” includes officers, directors, trustees, employees with the authority to act on behalf of the foundation, and substantial contributors to the foundation. Family members of any of these individuals (as well

*continued on next page*

*continued from previous page*

as certain related organizations, such as a corporation in which 35 percent of the total voting power is owned by disqualified persons) are also disqualified persons. In almost all cases, the sponsoring corporation is a disqualified person because it meets the definition of a substantial contributor.

**What is permitted?** Among the prohibited transactions are private foundation grants or activities that provide tangible economic benefits to the corporation (for example, advertising, tickets to events, preferential recruitment or business opportunities, or satisfaction of a legally binding corporate pledge). Importantly, however, private foundation grants and programs that generate goodwill or public recognition for the corporation are permitted because such benefit is considered incidental. Although the IRS may view these benefits as incidental, corporate philanthropy practitioners know that such recognition can have a positive impact on the corporation and its image.

In addition to generating goodwill, the foundation can serve as a key funding partner. For example, the company may have products that promote healthy eating in children. The foundation could fund charities that provide nutritional counseling and programming in schools. While the foundation grant may not be contingent on promoting the company's products or generate advertising for the company, the foundation—bearing the company's name—may be listed as a contributor to the charity at the same time the funded activity is advancing the similar goals of the corporation and the charitable program.

Legal considerations should be a part of successful management of the corporate philanthropy program. Staff and legal counsel who understand the legal rules and the corporate strategies and goals can help ensure the program operates within the confines of the law.

**Obligations of foundation staff members.** Corporate foundations are often staffed by corporate employees who split their time between corporate and corporate foundation work. These arrangements must be carefully constructed to avoid issues of self-dealing. Sometimes this can be done simply by having the company pay all staffing costs. In other cases, the foundation may reimburse the company—without interest—for the time company staff spends on foundation matters. In the latter case, consultation with experienced legal counsel is recommended to ensure compliance with the rules against self-dealing.

Regardless of the structure, it is important for an individual working for the company foundation to remember that, when working on foundation matters, they must act in the best interests of the foundation and that it is the foundation board that ultimately governs the activities of the foundation.

# The Leadership Imperative: Our Path Forward

Leaders of corporate foundations and giving programs have an opportunity to redefine the role of corporate philanthropy. By taking the initiative to align and engage their efforts more closely with the business, these leaders can help unleash new resources and ideas that can greatly enhance the positive impact of the company on society. At the same time, this alignment can enhance the company's social impact and increase its competitive advantage.

By embracing the agenda that follows, corporate philanthropy leaders can seize this opportunity. Each element of this agenda will require the leadership, commitment, and flexibility of practitioners in every corner of the field. Indeed, widespread engagement within the corporate philanthropy field as whole, with corporate stakeholders within companies, and with external stakeholders and philanthropic partners is essential. The agenda has five elements:

- 1. Create a new narrative for corporate philanthropy as an investment in society.** What should be the story of philanthropy in the decades ahead? How do we link philanthropic values to value creation?
- 2. Develop an inclusive “operating system” for philanthropic investment.** What does such an operating model for corporate philanthropy look like? What are the program components that must be in place for a program to succeed?
- 3. Professionalize the field.** What are the skills and competencies required to manage a successful philanthropic function that is integrated with and essential to the business strategy? What kind of professional development will practitioners need to lead that function?
- 4. Improve collaboration, communication, and knowledge sharing.** How can we measure ROI and communicate impact? How can we share what we are learning with one another more effectively and build collaborations to achieve leverage and scale?
- 5. Mobilize “field level” leadership behind this agenda.** How can we engage the broader corporate foundation and philanthropy field in this agenda for rebranding and revitalizing corporate philanthropy?

There is no question that redefining the purpose and value of a corporate foundation or giving program within a company is a challenging undertaking. For some, an immediate red flag in the agenda's first two components concerns “self-dealing” for private foundations. Although understanding the self-dealing rules is essential for those working with the corporate private foundation, examples appear throughout this guide of foundations and philanthropic initiatives that are operating within the legal boundaries of charitable law. In this regard, it is important that corporate philanthropy leaders and practitioners not inadvertently impede their efforts to better align their philanthropy with their company's business objectives. As one leader said: “The self-dealing rule in particular makes corporate foundation folks very protective of their foundation and has led to corporate foundations (some, not all) being increasingly isolated... We can be seen as ‘just not worth the trouble.’ I honestly think this will lead to the ultimate extinction of the corporate foundation unless we can find healthy, legal ways for internal collaboration to take place.”



# 1 Create a new narrative for corporate philanthropy as an investment in society.

## WHERE WE ARE:

**Most companies still perceive their philanthropy as charity. They do not focus on the actual results of their philanthropy or how it has affected the company's interests.**

In discussing philanthropy, most companies still refer almost exclusively to the dollars they have donated to “good causes.” This limited narrative marginalizes its value. Among the general public, the image of corporate philanthropy as charity prevails as well. In fact, few external stakeholders the project team consulted could offer any insight into corporate philanthropy or the value it creates. Those who had some knowledge only understood it as “charitable contributions” or as motivated exclusively to enhance the corporate brand.

Despite the good work of such organizations as the Committee Encouraging Corporate Philanthropy (CECP), which counsels higher levels of philanthropy and more strategic approaches to giving, most corporate CEOs still see and talk about philanthropy as charity and public relations. When a 2007 McKinsey poll asked CEOs to rank their most effective strategies to manage sociopolitical issues, only 12 percent identified corporate philanthropy among their top three, and only 10 percent said they thought this was an effective strategy.<sup>4</sup> As Harvard University Professor Michael E. Porter has observed: “Many companies actively distance their philanthropy from the business, believing this will lead to great goodwill in local communities.... Few have connected giving to areas that improve their long-term competitive potential. And even fewer systematically apply their distinctive strengths to maximize the social and economic value created by their philanthropy. Instead, companies are often distracted by the desire to publicize how much money and effort they are contributing in order to foster an image of social responsibility.”<sup>5</sup>

Given this lack of perceived value within business, it is not surprising that we have seen a decline in corporate philanthropy in recent decades. From a high of 2.3 percent of pre-tax profit in 1986, corporate philanthropy has declined to roughly 1 percent today and now accounts for only 5 percent of charitable giving in the United States.<sup>6,7</sup>

Corporate foundations and giving programs are well situated to exemplify philanthropy as an innovative investment in society.

As governments struggle under the impact of globalization and financial austerity, society now looks to business to take much greater responsibility in finding solutions to our immense challenges. This is a new role—one that many businesses are just beginning to learn to manage.

#### **WHERE WE NEED TO BE:**

#### **Companies view their philanthropy as contributors to breakthrough collaborations and innovations that address complex social challenges.**

Corporate philanthropy practitioners can help businesses manage society's expectations for leadership by better articulating the difference corporate philanthropy makes in addressing complex public challenges in communities large and small. The new story of philanthropy is of a powerful positive force investing in change, leveraging and mobilizing a broad range of corporate assets beyond dollars, and whose singular focus is to increase the contribution companies can make to society.

To create this narrative requires a redefinition and common understanding of philanthropy. To this end, a recent Council on Foundations committee proposed that philanthropy is “the independent, innovative investment in building our communities.” Our field must shape the story we want, or else the narrative will continue to be defined and told by others.

Corporate foundations and giving programs are well situated to exemplify philanthropy as an innovative investment in society. Businesses understand that scalability is essential for impact. They are driven by innovation and change. They know execution trumps brilliance. And they are accountable for results. Corporate philanthropy now has the opportunity to build on these strengths and become a powerful catalyst for transformative innovations that engage the full power of business in helping solve society's biggest challenges.

The good news is that this integration is now well underway within many large companies. In the 2009 Community Involvement Index,<sup>8</sup> most community involvement leaders and managers from large firms said they link their community involvement strategy both to their company's broader corporate citizenship strategy (72.6 percent) and to its business strategy (73.8 percent). Senior management, they said, supports these efforts.

#### **PROOF OF POSSIBILITY**

One of the early pioneers in this new approach to philanthropic investment is Cisco Systems. Here's how Cisco describes its philanthropic strategy: “Our social investment strategy prioritizes the areas where we believe our technology and our people can make the biggest impact. The emphasis is on partnerships with others that make a lasting difference.... We take a results-oriented approach to corporate social responsibility (CSR) by compiling a strong portfolio of social investments and continually assessing how well they perform.

Efforts by Cisco, IBM, and other global companies illustrate the potential of the social investment approach.

Our investment model focuses on education as a catalyst for social progress, but we also invest in programs that offer sustenance and support to people in need. We look for CSR investments that offer a good return by having a measurable impact on lives and society and that promise to grow and sustain themselves over time through community.”<sup>9</sup>

Cisco’s premier social investment is the Cisco Networking Academy program, which started as an equipment donation program from the company to help schools in California. After it became apparent that school administrators lacked the knowledge and skills to manage the donated equipment, Cisco launched an employee volunteer program to train teachers and students to build and maintain computer networks. This in turn led company executives to realize that they could develop Web-based resources to train and certify a new generation of network administrators. Lo and behold, the Cisco Networking Academy was born. From a small program designed to help schools get the most out of their networking equipment, Cisco Networking Academy has grown into the company’s largest corporate social responsibility program. It now offers courses through 10,000 academies in 165 countries. More than one million students develop information and communications technology skills through the program each year.

IBM is another global corporation that illustrates the potential for this new “investment” approach. According to an account in *Alliance* magazine:

“In the early 1990s, IBM reshaped its global operations, and our philanthropy program was reshaped, integrating IBM’s core capabilities in research, information technology, and business development into all programs.... We started by focusing on our core capabilities in technology and business development and asked our stakeholders which of their priorities could potentially be met from these. This helped to redefine the core mission of our philanthropy around the intersection of the company’s capabilities with critical societal needs defined by government agencies, NGOs, our clients, business partners, and employees. These were also relevant to our business development. We then developed a set of strategic programs to address some of the major issues identified.”<sup>10</sup>

Today, IBM continues to break new ground as it supports transformative initiatives to help address some of our toughest social challenges. For each program, IBM engages researchers and consultants working with government, private enterprise, and nonprofits to shape an innovative new approach to solve a problem. These solutions can include technological breakthroughs. As Celia Moore, director for corporate citizenship for Europe and Middle East, observes, “A kind of symbiosis ensues. While bringing new resources to communities, IBM learns about developments across a range of needs. These are fed into the company’s knowledge base and in turn allow it to maintain its vitality in the marketplace.”<sup>11</sup>



## 2 Develop an inclusive operating system for philanthropic investment.

### WHERE WE ARE:

**Most corporate philanthropy models use charitable contributions as the singular investment tool.**

Currently, the only well-understood and accepted operating system for corporate philanthropy centers on the effective stewardship of charitable contributions. Most models of philanthropic strategy use dollars as one of a few corporate assets brought to bear for social impact—and thereby leave other business resources untapped. Yet even if programs adopt more varied approaches, the only reliable data that exist on corporate philanthropy concern financial levels of grantmaking. Increasingly, both the giving strategies and the means to manage them are becoming outdated. This could impede efforts to increase impact and enhance value.

### WHERE WE NEED TO BE:

**An “investment portfolio” model aligns giving and rallies corporate assets to benefit society and drive business success.**

To successfully align a corporate foundation or giving program with the business requires a robust “operating system.” This system not only encompasses charitable contributions but also embraces other ways for philanthropy to be a catalyst that enables the company to contribute more to society and promote business success. Such a system allows a more nuanced strategy that engages a wider range of assets, where the foundation is one of many tools that enables corporate philanthropy to address immediate needs as well as upstream solutions to global social issues. Like any good operating system, it must be based on a clear “architecture” that allows each component to interact effectively with others. It must help philanthropy leaders understand and select the appropriate “application” to achieve the desired outcome and stay within the legal rules. It must create measurable results, allowing practitioners to understand and articulate how each application creates value.

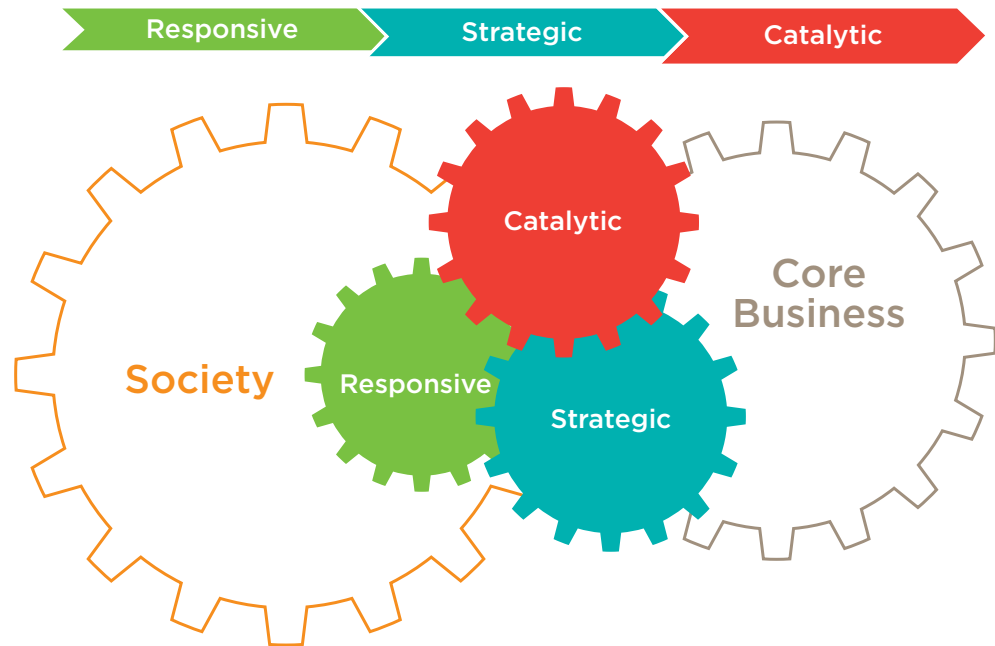
This investment portfolio model can be corporate philanthropy’s new operating system. The three categories of investment—Responsive, Strategic, and Catalytic—build on one another to create an increasingly robust value equation as the giving program aligns with and engages other resources in the business to create greater impact and benefit for society.

A mixed portfolio of Responsive, Strategic, and Catalytic investments can be corporate philanthropy’s new operating system.

---

## Creating Value Through Philanthropic Investment

Aligned and integrated corporate philanthropy drives the public good and benefits the core business



- **Responsive Philanthropy.** For most companies, the cornerstone of a corporate philanthropy strategy will continue to be responsive philanthropic investments. The corporate value of taking care of the communities “in their backyard” will always matter, especially for companies with large economic and social footprints where they do business. These grants help sustain communities for the immediate and short term, respond to crises, and provide matching gifts to encourage and support employees in their giving and volunteer work. Responsive Philanthropy provides broad-based, incremental support to myriad local causes and demonstrates to employees, customers, and other stakeholders that a company is compassionate, caring, and responsive.
- **Strategic Philanthropy.** Philanthropic investments that are actively managed to achieve results that directly align with the company’s business interests fall into the category of Strategic Philanthropy. These philanthropic investments are more directly aligned with, and material to, the company’s business strategy, and the company will extend expertise and other resources to help such investments achieve a bigger social impact and profile.
- **Catalytic Transformative Philanthropy.** This category of philanthropy incubates and supports initiatives with the potential to drive large-scale change and meet complex social challenges. Such investments become catalysts for social and business innovation and change. Although the line between Strategic and Catalytic Transformative Philan-



thropy can blur, the key differentiator usually is the scale of impact and the transformative effect on the business strategy or the way it manages its operations and supply chain. When successful, they advance the business toward a “shared value” business model that can create lasting benefit for society and the business by meeting social needs through the core business and its value chain.

## PROOF OF POSSIBILITY

### Responsive Philanthropic Investments

Responsive Philanthropy provides broad-based support to communities and causes. It demonstrates to employees, customers, and other stakeholders that a company is compassionate, caring, and responsive. The last 50 years have seen many innovations, including the development of matching-gift programs for employees, support for federated giving campaigns and in-kind donations programs, and similar efforts. More recently, formalized disaster-relief programs and new philanthropic investment instruments such as social impact bonds are being explored as companies look for more effective ways to distribute money, services, and products to support the public good. The key characteristic of these tools is that they are mechanisms to help companies respond to a broad array of community and social needs beyond the corporate “fence line.” Many of these tools also are adapted and used in the Strategic and Catalytic Transformative investment models that follow.

### Strategic Philanthropic Investments

Strategic Philanthropic Investments align with and affect social issues that are directly material to the business and can potentially engage other forms of corporate support. This can range from building better relationships with key stakeholders critical to the business, to opening access to new markets, to ensuring access to the social and environmental capital needed for the business to succeed. Caution is advised here for corporate foundations, as foundation resources cannot be used to provide tangible economic benefits to the corporation.

Having stated the caution, foundations certainly have ways to become involved in some Strategic Philanthropic Investments. For example, in 2009 the GE Foundation launched a \$25 million, three-year Developing Health program to help uninsured people gain access to health care, an issue the company’s employees thought important to address in the years before the new federal health-care law takes effect.<sup>12</sup> In addition to a \$250,000 cash grant from the foundation, nonprofit health clinics receive help from General Electric employees in strategic planning, marketing, and other skills. The success of the program spurred an additional \$25 million commitment in 2012.

On the consumer front, Campbell Soup’s support for the American Heart Association’s Go Red for Women movement is a good example of Strategic Philanthropy aligned with consumer relations.<sup>13</sup> Go Red for Women raises awareness about heart disease as the No. 1 killer of women in America. Campbell Soup complements its philanthropic support with social marketing and advertising. At the same time, the company benefits by being able to develop and market a line of products designated as heart healthy.

Strategic investments affect social issues that align with and matter to the business and can engage various forms of corporate support.

As public funding and governmental capacity to address social issues dwindles, businesses have stepped into the breach.

Another powerful example of strategic alignment of philanthropy with the marketing power of a large company is the Unilever Dove Campaign for Real Beauty.<sup>14</sup> This powerful social marketing campaign incorporates philanthropic grants to charitable organizations working on women's issues with a highly successful advertising campaign that debunks stereotypes of female beauty. The campaign has had a significant impact on the company's sales.<sup>15</sup>

Another potentially powerful asset a company can bring to Strategic Philanthropy is its lobbying power. Corporate lobbyists have access to policymakers in ways few nonprofit organizations do. For example, Mary Kay Cosmetics has advocated for federal and state legislation to prevent domestic violence.<sup>16</sup> Combining philanthropic support with lobbying effectiveness, the company is helping Break the Cycle, a nonprofit devoted to halting domestic violence, persuade policymakers across the country to back laws requiring schools to offer instruction on healthy relationships. This not only has produced a boost for employee morale and customer loyalty, but it has opened doors in state legislatures for the company. Although any lobbying must be carried out through the corporation and not the corporate foundation, the foundation may fund charities' educational campaigns on particular topics or public charities engaged in similar work.<sup>17</sup>

Initiatives designed to address social issues that are critical to the company's ability to operate successfully and to advance the public good are also important aspects of Strategic Philanthropy. As public funding and governmental capacity to address social issues dwindles, businesses have stepped into the breach. A pressing issue in this regard is access to skilled labor, particularly workers with literacy and proficiency in science, technology, engineering, and mathematics—the so-called STEM fields. Consequently, many companies have launched Strategic Philanthropy initiatives to support STEM education in schools and colleges. Note that programs funded through a company foundation cannot give the company special access to graduates for the company's workforce.

Amgen and the Amgen Foundation advance science education by funding innovative, evidence-based programs in high schools and universities. As the world's largest independent biotechnology company, Amgen aims to spur students' interest in science and deepen scientific literacy. Focusing on strengthening teacher quality and hands-on, inquiry-based experiences, the company has committed more than \$60 million to advance science education in the United States and Europe. A signature initiative is a high school program, developed by educators in consultation with Amgen scientists, that brings research-grade equipment to tens of thousands of students and their teachers annually. In addition, undergraduate Amgen Scholars from across the United States and Europe conduct research under top university scientists and hear from leading industry scientists about drug discovery and development. Amgen Scholars has grown to be one of the most competitive summer research programs in the world for top undergraduates.

The Intel Teach Program is another good example of a Strategic Philanthropic Investment.<sup>18</sup> In 1998, the Intel Foundation wanted to address the professional development needs of teachers in the use of technology. Today, the program helps teachers integrate technology into their lessons and promote students' problem-solving, critical thinking, and collaboration skills. More than 10 million teachers have been trained in 70 countries worldwide,

Taking care of communities “in the backyard” will always matter as an expression of corporate values.

and Intel is committed to reaching millions more. A suite of complementary offerings for administrators and students has also been developed and implemented worldwide. Suzanne Fallender, Intel’s director of CSR strategy and communications, says the volunteer programs that support programs like Intel Teach are structured to give back to communities and build unity. “Our approach is based on the belief that we can contribute through strategic philanthropy and create shared value for Intel and for society,” she explains. “We can create significant economic and social value while also creating value and opportunities for Intel over the long term.”

A final category of strategic philanthropy is apparent in programs that engage and build relationships on issues key to a company’s license to operate. For example, ArcelorMittal, a global steel manufacturer and mining company, understood how important environmental stewardship was to their business and to their local communities. In the United States and Canada, the company operates nine facilities surrounding the world’s largest freshwater resource, the Great Lakes. Although several private and community foundations were funding Great Lakes restoration projects, each focused within its own geographic area, and collaboration was limited. In October 2007, ArcelorMittal teamed with some very nontraditional partners to address this challenge. The National Fish and Wildlife Foundation facilitated collaboration among the ArcelorMittal USA Foundation and four federal agencies: the National Oceanic and Atmospheric Administration, the Environmental Protection Agency, the Fish and Wildlife Service, and the US Forest Service. This collaboration quickly grew into “Sustain our Great Lakes,” a public-private bi-national collaboration.

Combining private and public funding with local and voluntary efforts, the program by 2011 attracted more than \$42 million in total conservation investments. The diverse partnership allows the program to reduce duplication and measure results. Successes include reconnecting 774 stream miles (constituting 17 percent of the action plan), restoration of 17,000 acres (also 17 percent of the action plan), and restoration of 86 stream/riparian miles (19 percent of the action plan). These metrics also feed into local community objectives to reduce flooding and increase property values and opportunities for outdoor recreation and tourism. This philanthropic investment also has significantly improved ArcelorMittal’s reputation as a positive environmental steward.

### **Catalytic Transformative Philanthropic Investments**

Catalytic Transformative Philanthropic Investments can happen by design or grow from initiatives that start as Responsive or Strategic Philanthropy initiatives. Recall the case of Cisco’s initiative, which initially was designed to provide equipment and training to schools in the United States and has resulted in a grander initiative to provide access to information and communications technology education globally. The effort has provided new opportunities for hundreds of thousands of students around the world, not only improving economic prospects for individuals and communities, but also ensuring that Cisco and other industries are able to draw on a good supply of network professionals to fill the mounting global demand.

The leadership challenge is to respond to today's needs while identifying initiatives with the potential to engage other resources to drive systemic change.

A similar story can be told for Pathways to Independence, Marriott's Training for Jobs Program. This six-week entry-level hospitality-training program, which helps individuals transition from welfare to work, is administered by Marriott's Community Employment and Training Programs Department. Pathways to Independence includes 60 hours of classroom instruction and 120 hours of occupational skills training. During the training program, participants learn the importance of job-acquisition and retention skills and receive training in workplace safety, communication, and personal life skills. Participants who complete the program receive full-time job offers. Pathways has received numerous awards and recognition, and other companies have used it as a model to establish similar programs.<sup>19</sup>

Another model for this form of philanthropy uses contributions administered directly through the company to seed prototype initiatives that not only have social value in their own right but also have the potential to generate much greater value by integrating with the company's supply chain. Starbucks developed a strategic alliance with Conservation International, a major international environmental organization, around its coffee-procurement practices.<sup>20</sup> The partnership created a model for small farming cooperatives to explore coffee-growing practices that conserve endangered habitats. From this pilot project, the initiative allowed the cooperatives to become a part of the Starbucks "sustainable" coffee-supply chain. This relationship helps Starbucks meet its coffee-procurement guidelines, while ensuring a long-term supply of high-quality ingredients and fostering a better future for farmers and a more stable climate for the planet.

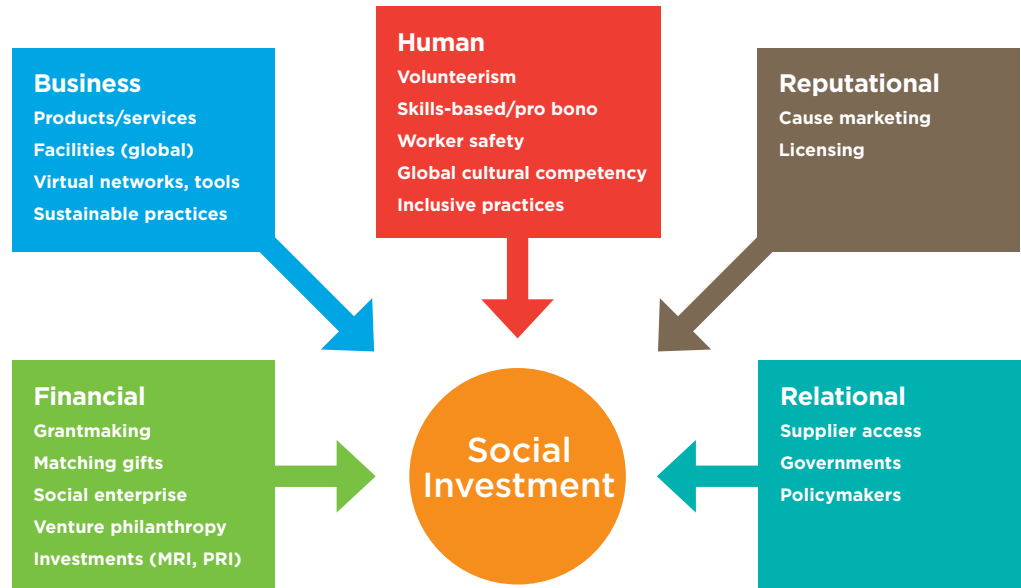
Another example of this approach can be seen in Kaiser Permanente's Cardiovascular Risk Reduction Strategy for at-risk low-income patients.<sup>21</sup> Medications such as statins that can help prevent heart attacks are generally less available to many high-risk individuals in low-income communities. To address this challenge, Kaiser Permanente, through its community benefit and philanthropy programs, is supporting a pilot program with "safety net" community health centers and other community agencies. Initial findings suggest these programs can improve health outcomes and reduce the costs of health care for this population.

### **CREATING A BALANCED PORTFOLIO**

These Strategic and Catalytic Transformative Philanthropy examples show that corporate philanthropy, when aligned with the business, has the potential to stimulate much greater value for society and the business. Large corporations may be well positioned to consider such forms of philanthropy as part of their philanthropic strategy and investment portfolio. These are, however, not replacements for Responsive Philanthropy, which always will be the cornerstone of any corporate philanthropy program.

The leadership challenge now is to find the right mix and balance for the portfolio—how to respond to today's needs while identifying initiatives with the potential to engage other resources in the company to drive larger scale systemic change. The size of the company, the cultural context, the concerns of key stakeholders, and the expertise within the business are all variables to consider in building a portfolio. Some of the assets a well-developed social investment portfolio can leverage appear in the illustration on the next page.

## Business Assets for Social Investment



Among the questions for corporate foundations or giving programs:

- What social issues matter to our external stakeholders when they think about our company's impact on their lives and on their communities? On what issues do they look to us for leadership?
- What business issues matter to our company? How can philanthropy help us build relationships with the stakeholders with whom we need to engage in the markets that matter to us?
- What is the full inventory of assets, competencies, and resources our company can offer? How can our marketing power address this issue and engage the public on the issues that matter to us? How can our philanthropic work take advantage of the skills and talents of our employees?
- How can we measure our impact for the business and society? What baseline can we use to measure our impact?

### MEASURING THE ROI ON CORPORATE PHILANTHROPIC INVESTMENTS

The saying in business is that you can't manage what you can't measure. Nowhere is this a greater challenge than in the corporate philanthropy field. As corporate foundations and giving programs become more ambitious, they must address directly the question of measurement. Groups such as the Foundation Center, the Committee Encouraging Corporate Philanthropy (CECP), and the London Benchmarking Group have done a good job of collecting data on the inputs of corporate philanthropy. At the same time, we have very little information on the return on this philanthropic investment—the value corporate philanthropy creates for society or business. In fact, fewer than one-third of respondents in a 2011 poll of community investment professionals said they routinely measured the social impact or business benefits of their work.<sup>22</sup>

Companies that commit to greater engagement will need to measure the social impact and business value of specific philanthropic investments and be able to articulate their relevance to performance drivers that matter in business strategy.

Of course, corporate philanthropy does not create value or investment returns in the same way other business units do—nor should it be expected to. Nevertheless, it is possible to measure the social and business impacts of philanthropy in ways businesses and the public can understand and accept. In “Measuring the Value of Corporate Philanthropy: Social Impact, Business Benefits, and Investor Returns,” an excellent report Terence Lim wrote under CECP’s auspices, Lim notes, “To realize meaningful benefits, philanthropy cannot be treated as just another ‘check the box,’ but rather must be executed no less professionally, proactively, and strategically than other core business activities.”<sup>23</sup> He then provides useful guidance for ways practitioners can approach the measurement challenge from three perspectives—first, between grant recipients and chief giving officers; second, between CGOs and the CEO; and third, between CEOs and the investment community.

Although it is difficult to measure the discrete value of Responsive Philanthropic Investments, proxies such as customer and employee perceptions may help companies assess the general value of their philanthropy to the business. In 2001, the Council on Foundations, working with Walker Information, developed a prototype tool, the Corporate Philanthropy Index (CPI), for this purpose. Test data found it was possible to construct a statistically reliable CPI measure from responses to three statements:

- Compared with other companies, [Company] does its fair share to help the community and society.
- Overall, [Company] helps the community and society by contributing time, volunteers, money, and sponsorships of nonprofit events and causes.
- [Company] really seems to care about giving and making contributions to help the community and society.

The test found that stakeholders who give high CPI ratings have substantially higher positive attitudes toward the company than do those who give low ratings. For example, among customers who rated philanthropy high, 92.6 percent said they thought the company had an excellent reputation. But among customers who rated philanthropy low, only 57.8 percent said the company had an excellent reputation.

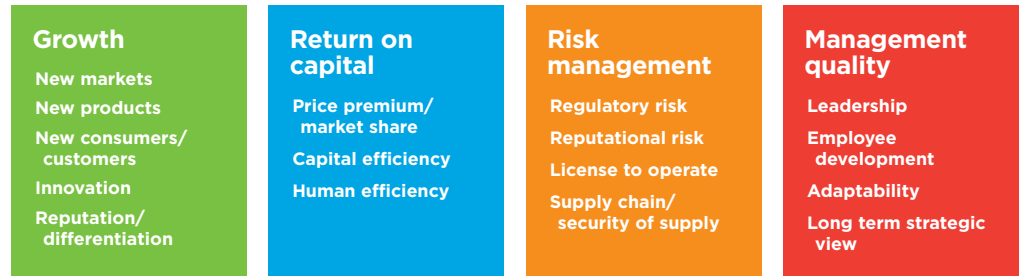
Starbucks is one company that uses the Walker Corporate Philanthropy Index. The company measures the impact of its community involvement activities on reputation. Starbucks used the Walker CPI to measure 700 employee and 600 customer impressions. What the company discovered is that employees and customers who suggest a high CPI rating drive Starbucks’ business by recommending the products and being loyal to the company.<sup>24</sup>

Companies that commit to greater engagement in Strategic and Catalytic Transformative efforts will need to measure the social impact and business value of specific philanthropic investments and be able to articulate their relevance to performance drivers that matter in business strategy. This will be possible when they build goals and measurement metrics into the project at the front end. Corporations have several potential ways to measure the direct and indirect impact of their philanthropic efforts on the business.<sup>25</sup> The range of these impacts can cover all areas of business performance, as the chart on the next page illustrates.

---

## The Value of Corporate Social Responsibility Programs

Environmental, social, and governance activities create value along four business dimensions.



Adapted from "Valuing Social Responsibility Programs," McKinsey & Co., July 2009.

The key is that corporate philanthropy leaders must know which high-value areas they have the ability to influence so they can align their efforts and define meaningful ways to measure them.

A good example of a company that has learned how to measure both the social and business impact of its philanthropy is Levi Strauss. The Levi Strauss Foundation's Worker Rights program has invested more than \$8 million in improving the lives of factory workers. A primary focus is on women, who make up the majority of garment workers; more than one million workers in 16 countries have benefited. The program educates workers and factory management on labor rights and responsibilities, improves the health of workers (including hygiene, reproductive health, and HIV/AIDS), provides education on financial and savings opportunities for workers, and protects and promotes labor laws by supporting factory-level dispute-resolution mechanisms, legal aid, and arbitration channels.

In May 2009, the Levi Strauss Foundation and other foundations partnered with BSR, a global network of nearly 300 member companies, to launch HERproject with a supplier in Ismailia, Egypt. Its factories had 1,150 women workers, 73 percent of whom were younger than 25. Starting from a baseline study of the workers' behavior and the factories' productivity when the project launched, HERproject evaluated its impact a year later. The analysis showed a fundamental behavior change: 82 percent of workers said they took action to improve their health. Women said the experience made them feel that they were making meaningful contributions to the workplace, and they expressed increased job satisfaction. In addition to these social impacts, the project yielded meaningful business impact in the form of reduced absenteeism and turnover rates. The evaluation estimated an ROI of \$4 of benefits for every \$1 invested in the program. (Because grants were made to NGOs that provided health education to all women in the supplier sites, not just those working on Levi Strauss products, the foundation avoided concerns of self-dealing.)

Philanthropy can also be a powerful contributor in helping companies understand and enter into new markets. People with disabilities account for more than 55 million Americans, and they not only have special needs, but they also are potential customers and employees. Along with disability, age is a factor in the adoption and accessibility of technology. The most telling example is in the use of cell phones. In 2007, Verizon took action to address this challenge both through its philanthropy and business. The Verizon Foundation delivered a \$1.5 million grant to the American Foundation for the Blind to fund and expand the organization's website to make it more accessible for aging adults with low vision. Among the materials on the site are a nationwide database of services and resources for those who are vision impaired and seniors with low vision.

Working with the input from the American Foundation for the Blind and other disability organizations, the company also designed a special phone to service the visually impaired. Launched in 2008, it quickly exceeded all sales estimates, selling 400,000 units and becoming the foundation for a new product line. At the same time, Verizon Wireless designed an inexpensive cell-phone service plan for older Americans, which quickly brought in 100,000 new customers and continues to grow today.





## 3 Professionalize the field.

### WHERE WE ARE:

**The practice of corporate philanthropy focuses primarily on managing contributions.**

Despite many excellent individual examples of fully integrated social investment leadership, the posture of the corporate philanthropy field as a whole is still operational. Although those in the field have a wide variety of titles and positions, most are defined around contributions management. Among the job titles are vice president for community relations, vice president for community involvement, vice president for community affairs, director of strategic philanthropy, community relations manager, director of corporate contributions, and donations manager. Most corporate philanthropy professionals report through the public affairs department, with another sizable segment reporting through human resources.

While a wide majority of corporate philanthropy professionals believe their programs deliver value to society and the business, according to the 2009 Community Involvement Index, more than one in four (28.6 percent) say their companies are indifferent to, have little respect for, or find little value in their work. This perception of marginalization and low value was reinforced in many of the regional consultations that were part of this project.<sup>26</sup>

### WHERE WE NEED TO BE:

**Corporate philanthropy is an essential, integrated business leadership function and considered a professional field.**

To develop the full potential of corporate philanthropy as a social investment requires highly competent leaders who can serve in business and community leadership roles. Not only will such leadership require excellent knowledge of the external world in which the company operates, but these professionals also will need to possess full mastery of the company's business strategy and organizational culture. They will need to know how to help the company develop the potential of the philanthropic function as a valuable source of knowledge and be an internal partner in supporting business innovation. They may come from within the business or externally, but they must be able to know how to navigate both worlds and attain credibility in both.

This ability to see the world through the perspective of society and the business is a developmental journey, as the examples of leaders included in the appendix to this guide illustrate. The challenge now is to better understand how the corporate philanthropy field and

Leaders will need to possess excellent knowledge of the company's external world and mastery of its business strategy and organizational culture.

The corporate philanthropy field will need to address personal, professional, and organizational questions as it moves to a new level of integration with business.

its support organizations can effectively support this developmental journey for practitioners. Only one professional association is active in the corporate philanthropy field in the United States, the Association of Corporate Contributions Professionals. This organization describes itself as “the nation’s leading independent organization providing services and support for corporate contributions, community relations, and employee volunteer managers.”<sup>27</sup>

To be sure, corporate philanthropy’s location on the organization chart and its management structure influence the ability of its leaders to align with the company. Reporting lines may be less important than how the function is managed, however. The following characteristics may be optimal:

- The philanthropic leader (president of the foundation) is also at the level of corporate vice president or above and has broader responsibilities tied to the core business.
- The philanthropy function is highly integrated with the broader corporate citizenship strategy, which in turn is integrated with the business strategy.
- The management and delivery of philanthropy engages a cross-functional team from across the business and includes operational departments.

At a personal level, corporate philanthropy professionals will need to consider questions such as these:

- How can I recognize and seize the opportunity ahead? What new skills and competencies must I obtain to help my foundation or giving program align with my company’s business objectives?
- How do I gain more influence within the company? How do I become an essential source of business insight so my company can increase its contribution to society?

As a profession, corporate philanthropy practitioners will need to address these questions:

- Should corporate philanthropy management be identified as a distinct profession, or is it simply a function of the broader corporate citizenship management profession?
- If it is a profession, should a focused professional association be established (as the Society for Human Resource Management for such professionals), or should it be anchored to an existing organization, such as the Association of Corporate Contribution Professionals or the Council on Foundations?
- Should there be a set of standards to certify corporate philanthropy professionals entering the field? If so, who should be responsible for creating and administering this process? How shall those individuals receive training to achieve certification? If not, what is the best way to ensure corporate philanthropy practitioners develop the competencies to lead and manage a successful philanthropic investment portfolio?

These are just a few of the questions the corporate philanthropy field will need to address as it moves to a new level of professionalism and integration with business.

## PROOF OF POSSIBILITY

One of the first steps in professionalizing the field is to have clear definitions of the roles, responsibilities, and competencies corporate philanthropy practitioners require to succeed. In 2009, the Boston College Center for Corporate Citizenship interviewed 20 top corporate philanthropy leaders from large firms who were successfully managing a social investment portfolio integrated with the business.<sup>28</sup> Their responses led to the development of a model job description for community involvement professionals that can serve as a useful starting place for further analysis.

### Responsibilities

- Set goals and strategies that align with business objectives and create measurable impact for the community and business.
- Build internal partnerships and seek opportunities for meeting shared business goals.
- Inventory and analyze existing community relationships, volunteerism practices, and other outreach partnerships to ensure alignment.
- Create and maintain strategic partnerships with key community groups and NGOs.
- Represent the company with multilateral organizations, donors, and NGOs.
- Build and maintain a cooperative network of counterparts to gather information and share ideas and potentially collaborate on impactful community projects.
- Raise internal and external awareness about community involvement work.
- Engage and motivate employees to participate in community involvement.
- Track and measure inputs, outputs, and impacts of programs.

### Competencies

- **Personal maturity.** Uses patience and pragmatism to maintain confidence in the face of change and adversity, knowing the organization or cause will benefit from such efforts.
- **Optimistic passion.** Draws on optimism and conviction to build and support community involvement programs that are designed to make a difference and inspire and engage others.
- **Balanced perspective.** Looks at issues from multiple perspectives with a sense of fairness and balance, seeing both business and social realities.
- **Strategic thinker.** Thinks strategically and creatively, connecting the dots to find the ideal intersection between community needs and business resources.
- **Value orientation.** Uses persistence and commitment to make a difference to continually improve the value and impact of community involvement programs.
- **Collaborative networker.** Uses empathy and interpersonal understanding to build mutually beneficial relationships and connect and engage diverse groups of people.
- **Influential communicator.** Leverages organizational awareness and interpersonal communication skills to influence others to engage with and offer support to community initiatives.

Building on these competencies, three main categories of knowledge are highly important for success in this role:

- Knowledge of the field of community involvement—existing benchmarks and industry standards and best practices, legal guidelines, major social trends, key institutions in the sector
- Knowledge of the business—business strategy products and/or services, structure, and culture of the company
- Knowledge of stakeholder groups and interests—local, national, and global stakeholders (as appropriate) concerned with the business and its impacts on society, consumer and stakeholders’ attitudes, deep awareness of groups material to the business

Required skills include:

- Financial planning
- Strategic planning
- Managing teams and developing staff
- Project management and execution
- Evaluation and measurement
- Written and oral communication

The Standards of Excellence in Community Involvement, developed by a leadership group of practitioners working with the Boston College Center for Corporate Citizenship, is another useful resource for professionalizing the field.<sup>29</sup> The standards follow:

- **Standard 1: Leadership.** My company actively and purposefully helps to define needs, set direction, and initiate meaningful change around community and societal issues.
- **Standard 2: Strategy.** My company plans its community involvement and leverages its capacities and strengths to deliver meaningful value to society and to the business.
- **Standard 3: Integration.** My company engages all facets of the business to contribute to and realize the benefit from community involvement.
- **Standard 4: Infrastructure.** My company consistently provides resources and support to ensure the successful execution of its community involvement strategy.
- **Standard 5: Performance management.** My company assesses the effectiveness and impact of its community involvement and uses the results for continuous improvement.
- **Standard 6: Communication.** My company actively and openly communicates in order to inform, influence, and engage internal and external stakeholders.
- **Standard 7: Community relationships.** My company engages and collaborates with external stakeholders to advance its community involvement strategy.

**For vignettes from corporate philanthropy leaders on their professional journeys, visit [www.cof.org/corporateguide](http://www.cof.org/corporateguide).**



## 4 Improve collaboration, communication, and knowledge sharing.

### WHERE WE ARE:

**Practitioners are neither effectively communicating the value and impact of corporate philanthropy to the public nor successfully collaborating or sharing knowledge within the field.**

The corporate philanthropy field faces a number of challenges in collaboration and communication—within the business, with external stakeholders, and within the broader field. At the root of the communication challenge is the inability of the field to tell the story of its impact.

Interviews with external stakeholders, including several large private philanthropies, revealed little knowledge or interest in corporate philanthropy; indeed, communicating impact remains an acute problem for foundations and the philanthropic sector as whole. A study by the Philanthropy Awareness Initiative in 2011 found that even among informed and influential Americans (defined as government, business, news media, and nonprofit decision makers, as well as the broader 12 percent of engaged citizens who influence them), only four in 10 could name a foundation, and only one in 10 could name any foundation (private or corporate) concerned with an issue they cared about. Nearly 90 percent think foundations should be more open with the public about their activities, mistakes, and lessons learned.<sup>30</sup>

Given corporate philanthropy's limited financial resources, making well-informed spending decisions is critical. By sharing knowledge with one another intentionally and effectively, practitioners can learn what makes some programs succeed and others fail. These lessons can be valuable for corporate philanthropy and business leaders alike.

Again, performance here is weak. A 2011 study, "Foundations for Knowledge," conducted by New Philanthropy Capital on the state of foundations and knowledge sharing in Great Britain, made the following analysis, which surely applies to the United States today: "Funders report that many initiatives occur in isolation, with not enough done to learn from others or share lessons. 'Dissemination' is sometimes an afterthought, and a culture of 'good-news stories' means that valuable lessons about what doesn't work are rarely publicized. Across the sector as a whole, the infrastructure for sharing is underdeveloped, and initiatives to improve it are fragmented and poorly resourced."<sup>31</sup>

The project team's interviews with external stakeholders and senior foundation leaders confirmed this view. They acknowledged that even though more large-scale collaborations and commitments (such as the Clinton Global Initiative) are being established, most of these collaborations focus on funding levels, not the exchange of knowledge and mutual learning.

By sharing knowledge with one another intentionally and effectively, practitioners can learn what makes some programs succeed and others fail.

## WHERE WE NEED TO BE:

### **The corporate philanthropy field enhances its external leverage through a powerful platform for communication and collaboration.**

Seventy-nine percent of respondents in the Philanthropy Awareness Initiative poll said foundations should now focus on grants that find new and better ways to solve problems, an increase of 31 percentage points since 2006. This strongly reinforces the need and opportunity for corporate philanthropy to accept the challenge to collaborate more effectively and provide leadership to the broader foundation and philanthropic field.

As the field embraces Catalytic Transformative Philanthropy to drive systemic change, its leaders will need to master the skills necessary to participate in high-impact, large-scale collaborations. This pertains especially to large global companies that often operate in emerging markets where expectations are high for corporate engagement in systemic social challenges and where governments may be weak or corrupt, and civil infrastructure is at a nascent stage of development. In such situations, better collaboration is essential between large firms and other large philanthropies operating in these countries to bring ambitious philanthropic efforts to scale.

## PROOF OF POSSIBILITY

Today, many companies are collaborating successfully in the Responsive Philanthropy or Strategic Philanthropy areas. For example, one of the nation's leading domestic hunger-relief organizations, Feeding America, brings together many of America's top food companies and retailers to collaborate in support of its program.<sup>32</sup> The United Way, Federated Health Charities,<sup>33</sup> and other collaborative fundraising initiatives are other examples of responsive or transactional partnerships with a long history of collaborative business participation. A high degree of impressive and visible collaborative work also is evident between large companies in disaster preparedness and response efforts. The Partnership for Disaster Preparedness at the Business Roundtable is a good example.<sup>34</sup>

Large-scale collaborations designed to create real learning among participants and collective action for change is an emerging area of Catalytic Transformative Investments. Several large companies are bringing together a range of stakeholders to explore how they can work together to solve especially challenging problems.

A good example at a local level is the Collaborative for Educational Excellence (CEE). For more than 30 years, the General Mills, Cargill, and Medtronic foundations supported Minneapolis Public Schools in various areas. After reviewing the limited impact of each foundation's individual investments, however, the three developed a long-term initiative—the CEE. The collaborative seeks to support the district's leadership development initiatives and help close the significant achievement gaps between low-income students and minority students and their more advantaged peers in such areas as kindergarten readiness, standardized test results, and graduation and college-acceptance rates.

Though the foundations were familiar with one another's work before creating CEE, their determination in advancing systemic change in the school system brought them together.

As the field embraces Catalytic Philanthropy to drive systemic change, its leaders will need to master the skills necessary to participate in high-impact, large-scale collaborations.

CEE includes the following objectives: (1) redesign of human resources processes, (2) recruitment and development of high-impact principals, (3) greater hiring capacity for principals, (4) redesign of the teacher hiring and training processes, (5) executive leadership support, and (6) a performance incentive program.

In a similar vein, Pathways in Technology Early College High School (P-TECH) is an innovative collaborative among the New York City Department of Education, the City University of New York, New York City College of Technology, and IBM. P-TECH's mission is to provide students with a personalized pathway to help them master the skills and knowledge they will need to make the transition from school to work. P-TECH students will graduate with a no-cost associate's degree and will be positioned to secure entry-level positions in the highly competitive information technology fields and/or complete their studies in a four-year college or university. The broader goal is to apply the knowledge and experiences developed in this pilot school as a model for traditional high schools in New York City, nationally, and globally.

New coalitions and innovations in philanthropy are appearing at the global level as well. The Advancing Global Health Decision Making initiative is an interesting example. In 2011, Johnson & Johnson, working with the Academy for Business in Society and Rutgers University, convened diverse stakeholders from business, government, academia, and civil society "to generate a co-designed, forward-looking agenda for research and innovation that will inspire and inform business strategy, policy formulation, civic activity, and education."<sup>35</sup> The goal is better understanding of how different stakeholders can learn from one another and collaborate to improve health outcomes globally.

A 2005 article in the *MIT Sloan Management Review*, "The High Impact of Collaborative Social Initiatives," identifies key steps for companies considering participating in high-value, large-scale collaborative initiatives:<sup>36</sup>

- **Identify a stubborn challenge and address it for the long term.** Stepping up to tackle "big" problems that are clearly important to society's welfare and that require substantial resources sends a signal to internal and external constituencies that this initiative is deserving of the company's attention and will require large-scale collaboration.
- **Contribute "what we do."** Finding ways to leverage core capabilities, products, and services opens the door to collaborations with internal colleagues.
- **Contribute specialized services to a large-scale undertaking.** Companies have the greatest social impact when they make specialized contributions to large-scale cooperative efforts. Although it is tempting for a company to identify a specific cause that will be associated only with its own contribution, such a strategy is likely to be viewed as a "pet project," not as a contribution to a larger problem where a range of players have an important stake and role to play.
- **Weigh government influence.** Government support or willingness to remove barriers can have an important positive influence and incentivize collaborations. Tax incentives, liability protection, and other forms of direct and indirect support can help.
- **Assemble and value the total package of benefits.** Companies gain the greatest benefits from their social contributions when they put a price on the total benefit package.



## 5 Mobilize “field level” leadership behind this agenda.

Corporate philanthropy has an opportunity to lead the larger foundation community as philanthropy redefines its role and purpose in addressing our social challenges.

### WHERE WE ARE:

**The corporate philanthropy field lacks a unifying mechanism to address the need for leadership and change.**

As the examples throughout this guide show, corporate foundations and giving programs that are aligned with the business have the potential to become powerful catalysts to create greater value for society and enhance the reputation of the business. This potential remains to be fulfilled across the broader field. Moreover, corporate philanthropy also has an opportunity to lead the larger foundation community as philanthropy redefines its role and purpose in addressing our social challenges.

### WHERE WE NEED TO BE:

**With individual leaders at its nucleus, the corporate philanthropy field commits to increasing impact, enhancing value, and supporting transformation.**

Transforming the field means adopting a new approach and mindset among leaders and practitioners within corporate foundations and giving programs, corporate executives, and the organizations that lead and service the field. Many readers may already be well on the way to redefining the role of philanthropy in their companies. Others are surely just starting this journey.

### For those just beginning, we encourage you to do the following:

- Reflect and consider which model for philanthropy as a value-added investment in society is appropriate and what that means for you and your company. What feels right about it and what doesn't?
- Discuss this guide with your peers in other companies and with regional grantmaker associations. What is their perspective on this agenda for change?
- Engage others in your company in a discussion on the questions and themes in this guide. Convene candid conversations on where you want to go and what's working and not working with your current model for philanthropy. Think about the last transformation your company went through. What was the “change management” process that made it successful? What could apply here?



- Identify the additional resources you need to drive this agenda for change. Identify the organizations that could potentially help you. Such resources and organizations appear at the end of this report.
- What other resources do you need to feel equipped to move this conversation forward?

**For those who may already have made this transformation:**

- Provide us with your feedback on this agenda. What did we get right, and what have we missed? What tools helped you get it done in your setting? What insights can you share?
- Bring this agenda to the leadership and field-service organizations in which you participate. Encourage discussions around this agenda and share the results with us.
- Share your story and share learning when you are among your industry, geographic, and regional association networks.
- Consider mentoring at least one other company on its journey and join with us in exploring the best way forward.

**For the organizations serving and helping to lead the field:**

- Please consider a dialogue within your organization around this agenda. What else needs to be included here? Where can your organization contribute most effectively to a change agenda for the field?
- Expand the dialogue to your peer organizations and discuss their role in supporting it.
- Collaborate with your peers to help the field prioritize key issues we can work on together to advance the field. Two critical issues to consider are impact measurement and professional development.

## Conclusion

The social contract that ensures our economic and social well-being is under duress. As governments struggle under the impact of globalization and financial austerity, society now looks to business to take much greater responsibility in finding solutions to our immense challenges. This is a new role—one that many businesses are just beginning to learn to manage.

Corporate philanthropy leaders have an opportunity and a responsibility to help businesses adapt to this imperative. This agenda aims to help corporate philanthropy meet this challenge. Visionary leaders in our field have proved that when corporate philanthropy is managed as an investment in society it can become a powerful catalytic force for change. At the same time, we know that corporate philanthropy is more than simply “shared value” between corporations and communities. It is an expression of caring and compassion that must continue to be core responsibilities.

The need for philanthropy to become more strategic has been a topic of conversation and thought leadership for nearly two decades. Indeed, many of the ideas and leadership examples this agenda incorporates have been circulating for most of that period. We believe now is time for the field to move forward to realize its potential.

In this time of turbulence and change, all organizations are being asked to rethink their purpose and actions to create greater value for society. We believe an enormous opportunity exists today for leaders in corporate philanthropy to step up to this challenge. In so doing, we will give new life and purpose to corporate philanthropy and increase its value to society and business.

The Council on Foundations and its corporate members are committed to this journey. We hope to work with you to bring this new role for corporate philanthropy to life. We look forward to your feedback.

# Endnotes

Website references are current as of April 2012.

1. "Citizens Engage! Edelman 'goodpurpose' Global Study, 2010," Edelman, 2010.
2. "Top 200: The Rise of Corporate Global Power," by Sarah Anderson and John Cavanagh. Institute for Policy Studies, 2010.
3. Waggener Edstrom Worldwide, 2009.
4. "McKinsey Global Survey of Business Executives: Economic and Hiring Outlook, Fourth Quarter 2007"
5. "The Competitive Advantage of Corporate Philanthropy," Michael E. Porter and Mark M. Kramer, *Harvard Business Review*, December 2002.
6. "Corporate Contributions: The View From 50 Years," The Conference Board, 2002.
7. "Giving USA 2011," Giving USA Foundation.
8. "The Community Involvement Index," Boston College Center for Corporate Citizenship, 2010.
9. "CSR Report, 2011," Cisco Systems.
10. "IBM's Model for Corporate Philanthropy," by Celia Moore, *Alliance* magazine, June 1, 2006.
11. Ibid.
12. "Helping More Clinics: Program for Underserved Doubles," GE Reports, September 23, 2010.
13. "Advancing Social Impact with Our Consumers and Our Customers," Campbell Soup Company, 2011.
14. "The Dove Campaign for Real Beauty," Dove, 2011.
15. "The Dove Campaign for Real Beauty," case study by Olivia Falcione and Laura Henderson, March 1, 2009.
16. "Taking a Stand Against Domestic Violence," Mary Kay, 2011.
17. Corporate foundations interested in engaging in or funding advocacy work should familiarize themselves with the advocacy rules for private foundations. Resources on this issue may be found at [www.cof.org/legal](http://www.cof.org/legal).
18. "Intel Teach Worldwide," Intel.
19. "Marriot's Welfare-To-Work Program, Pathways To Independence, Reaches 10-Year Milestone," CSR Newswire, December 17, 2000.
20. "Starbucks and Conservation International," by James E. Austin and Cate Reavis, HBS Premier Case Collection, October 2, 2002.
21. "Community Implementation and Translation of Kaiser Permanente's Cardiovascular Disease Risk-Reduction Strategy," Winston Wong, MD, MS; Marc Jaffe, MD; Michelle Wong, MPH, MPP; R James Dudl, MD. *The Permanente Journal*, Winter 2011, Volume 15 Number 1.
22. "Staying the Course. The 2011 Community Involvement Index." Boston College Center for Corporate Citizenship, 2011.
23. "Measuring the Value of Corporate Philanthropy: Social Impact, Business Benefits, and Investor Returns," Terence Lim, Committee Encouraging Corporate Philanthropy, 2010.
24. "Measuring the Business Value of Corporate Philanthropy: Starbucks," Council on Foundations, Fall 2004.
25. "How Virtue Creates Value for Business and Society," P. Mirvis and K. Ryu, Boston College Center for Corporate Citizenship, Boston College, 2010.
26. "The Community Involvement Index," Boston College Center for Corporate Citizenship, 2010.
27. [www.accprof.org](http://www.accprof.org).
28. "Leadership Competencies for Community Involvement," C. Pinney, S. Spencer, and S. Kinicut, Boston College Center for Corporate Citizenship, 2010.
29. "Standards of Excellence in Corporate Community Involvement," Boston College Center for Corporate Citizenship, 2009.

30. "High Expectations, High Opportunity," Philanthropy Awareness Initiative, 2011.
31. "Foundations for Knowledge: Sharing Knowledge to Increase Impact: A Guide for Charitable Funders," by Matthew van Poortvliet, Lucy de Las Casas, and Padraic Brick. New Philanthropy Capital, March 2011.
32. <http://feedingamerica.org/how-we-fight-hunger/our-partners/leadership-partners.aspx>.
33. [www.federatedhealth.ca](http://www.federatedhealth.ca).
34. <http://businessroundtable.org/committees/corporate-leadership/partnership-for-disaster-response/>.
35. [www.eabis.org/projects/project-detail-view.html?uid=20](http://www.eabis.org/projects/project-detail-view.html?uid=20).
36. "The High Impact of Collaborative Social Initiatives," John A. Pearce II and Jonathan P. Doh. *MIT Sloan Management Review*, Spring 2005.

Third-party works may be subject to the copyright holder's exclusive rights regarding use, copying, distribution, display performance, and the preparation of derivative works. Permission from copyright owners may be required. The Boston College Center for Corporate Citizenship has expressly reserved all rights in regard to its works.

# Case Studies

Read extended versions of these case studies and others at [www.cof.org/corporateguide](http://www.cof.org/corporateguide)

## **ARCELORMITTAL:**

### **Partnering to Link Education and Workforce Needs**

ArcelorMittal, the world's leading steel company, recognized growing education challenges in U.S. communities: unacceptable high school dropout rates, inadequate work-ready skills, and growing numbers of work-qualified students relocating from their home communities—a veritable “brain drain.” Simultaneously, faced with an aging, skilled workforce, Arcelor-Mittal was challenged with increased recruitment needs.

Teaming with multiple nonprofit and government partners, the company is changing how it manages education and workforce issues. “STEM Futures” provides teacher training and equipment for elementary and middle schools; “Steelworker for the Future” enables community colleges to provide a combination of education and hands-on job learning through the company; and the “Campus Partnership Program” supports four-year university programs in business and metallurgical engineering.

The company is now piloting a collaborative, led by the Council for Adult Experiential Learning, to focus on high schools. The goal is to graduate students ready for college and work, improve manufacturing-focused curricula, and build a workforce pipeline to support local employer needs.

## **DOW INDIA:**

### **Jaipur Foot**

The Jaipur Foot originated as a handmade artificial foot made of vulcanized rubber. In 2005, a nongovernmental organization—Bhagwan Mahaveer Viklang Sahayata Samiti (BMVSS)—approached Dow India to help take the project to the next level. The goals were to achieve a consistently high-quality product, improve comfort for the wearer, and reduce the cost.

Working with BMVSS and its manufacturing partner, Pinnacle Industries, Dow has been able to achieve these goals. The polyurethane Jaipur Foot has allowed more than 25,000 people around India to become mobile, self-reliant, and independent. Dow's reputation in India, as a result, has soared. Dow India received the “Solace of the Handicapped” award from the Kohlapur Paralympic Association for its contribution and support for the physically challenged and the “Community Engagement Award” from the Asia Responsible Entrepreneurship Awards. Positive media coverage has highlighted the importance of the initiative to the public and has showcased Dow India's pioneering CSR efforts in this area.

## **GENERAL MILLS FOUNDATION: Collaborative for Educational Excellence**

For more than 30 years, the General Mills, Cargill, and Medtronic foundations have supported Minneapolis Public Schools in a variety of areas. After reviewing the limited impact of each foundation's individual investments, however, the three developed a long-term initiative—Collaborative for Educational Excellence (CEE). Its goals are to support the school district's human capital and leadership development initiatives and help close the significant achievement gap between white students and students of color in areas such as kindergarten readiness, standardized test outcomes, and graduation and college-acceptance rates.

Though the three foundations were familiar with one another before creating CEE, their shared interest in advancing systemic change in the school system got the ball rolling after three years of discussions. CEE is being implemented through 2013 and includes the following objectives: redesign of human-resources processes, recruitment and development of high-impact principals, greater hiring capacity for principals, redesign of the teacher hiring and training processes, executive leadership support, and a performance incentive program.

## **IBM: Corporate Services Corps Program**

In 2006, IBM Chief Executive Sam Palmisano published an article that laid out IBM's goal of becoming a "globally integrated enterprise." That meant performing work anywhere in the world where it could be done best and most efficiently—but in such a way that customers felt they were being catered to locally. So the company had to change, and it needed managers who could handle working in a global environment drastically different from the traditional long-term overseas assignment.

One of the ideas that emerged was the IBM Corporate Services Corps (CSC), a program that sends teams overseas to assist local governments, civic groups, small-business owners, education institutions, and other organizations. The assignments typically last one month on the ground, with several months of advance and post-assignment work. Within three years of founding CSC, the company had dispatched 1,500 employees based in 50 countries to more than 140 engagements in some 30 countries.

There have been many benefits, including lower costs than traditional overseas assignments. In addition, an independent evaluation conducted by Harvard Business School professor Chris Marquis identified measurable returns in the skills the employees obtained, their value on the ground, and in the retention of top talent. An extensive IBM-administered survey of CSC participants also showed that the program is helping employees develop leadership and problem-solving skills. It also aligns IBM's corporate social responsibility agenda with its business goals, particularly the need to improve the company's visibility in Africa.

## **INTEL:**

### **Cross-Corporate Collaboration**

At Intel, a three-day process of brainstorming, lively discussion, prioritization, lobbying, and presentations churned out some great ideas. But it also created the opportunity to engage in a deeper level of cross-corporation collaboration and support with representatives from FSG. The fruit of that effort was a group that broke into teams and pushed for bold ideas that drew not only on the resources of the foundation but on the resources of the entire Intel Corporation. Though the ideas were great, the process of creating and developing them was a pivotal experience for staff. Cross-corporate collaboration gave them a chance to engage people across the business and cast the idea-generating net wide.

FSG laid the groundwork with interviews across the corporation to understand Intel's philanthropic efforts, its corporate culture, and some of the unmet goals and desires that needed to be addressed. Staff and leaders mutually agreed that the process of cross-pollinating ideas was healthy, particularly in the context of developing philanthropic programs. As a bonus, it was an opportunity for leadership development and business training for Intel employees and created some external—but passionate—advocates for the foundation. Intel intends to repeat the process on a two-year cycle going forward.

*Use of modified versions of this material requires express written permission of Intel. Please direct inquiries to Wendy Ramage Hawkins at [wendy.hawkins@intel.com](mailto:wendy.hawkins@intel.com).*

## **KAISER PERMANENTE:**

### **Community Implementation of a Cardiovascular Risk-Reduction Strategy**

In the United States and around the world, cardiovascular disease remains the leading cause of death and disability. However, fewer than half of Americans with diabetes have achieved their treatment goals. In response, Kaiser Permanente in Northern and Southern California has developed and implemented an innovative program to reduce strokes and heart attacks among high-risk low-income individuals. Their work emphasizes the use of statins and other medications, which, if increased by just 10 percent among diabetic patients, would prevent up to 32,000 heart attacks and strokes every year.

Core to the history and mission of Kaiser Permanente has been a commitment to improving health-care quality, affordability, and access to the most vulnerable in the community. In families and neighborhoods where up to one of every six individuals is uninsured, Kaiser Permanente has dedicated resources, technical assistance, and investments to fortify the institutions that care for the medically indigent. That also positions Kaiser Permanente as a leader in cardiovascular disease prevention and an innovator in the field. The risk-reduction strategy also may serve as a model to prevent heart attacks and strokes and spark other disease-prevention programs for the underserved nationwide and globally.

## **LEVI STRAUSS FOUNDATION: Improving the Well-Being of Workers**

Global companies are expected to treat their supply-chain workers with dignity, respect, and fairness and provide safe and clean factories in which to work. In 2011, Levi Strauss & Co. announced a new vision for engaging with its global supply chain. Inspired by the success of the Levi Strauss Foundation's Worker Rights grant partnerships, it seeks to measure improvement in the well-being of apparel workers, their families, and their communities.

Since 2007, Levi Strauss Foundation has provided more than \$200,000 to Business for Social Responsibility to support HERproject—a factory-level women's health initiative. The foundation has provided funds to implement HERproject in three sites in Egypt and develop a return-on-investment study. The results were proof positive of its effectiveness: 82 percent of workers took actions to improve their health, and the women workers and clinic staff members said they felt they were making a meaningful contribution to the workplace as a result of participating in the program. Rates of job satisfaction absenteeism, turnover improved, as did worker morale and relationships with management.

The overall goal of HERproject is to improve the health of all women working in the garment industry. Because grants were made to nongovernmental organizations providing health education to all women in the supplier sites—not exclusive to those working on Levi Strauss products—the foundation avoided concerns of self-dealing.

## **MEDTRONIC: Global NCD Initiative**

Medtronic responded to the escalating economic and social burden of noncommunicable diseases (NCD)—including cancer, heart and respiratory ailments, and diabetes—by testing a new approach to corporate philanthropy. The new strategy used philanthropy as a key strategic element in the company's broader corporate citizenship commitment to address the global health concerns surrounding chronic diseases, which in 2008 were responsible for 36 million deaths. That number is expected to climb to 52 million by 2030. Medtronic's shared-value approach leveraged all corporate assets to enhance both business and social impacts.

To address the global challenge of NCDs, particularly in developing countries and emerging markets, Medtronic formed an integrated team of representatives from the business side, Medtronic, Inc., and Medtronic Foundation, the philanthropic side. The initiative is part of a companywide effort to treat 25 million patients per year by 2020, more than three times the seven million patients it currently treats. They learned that establishing a cross-functional team to lead the effort created greater impact and having a clearly defined strategy kept all parties focused. Together, they formulated a plan to make NCDs a higher priority globally, improve health-care systems around the world, and increase patient access to care.



# Resources

## FROM THE COUNCIL ON FOUNDATIONS

- “Top 10 Ways Corporate Foundations Get Into Trouble,” Ellen Bryson and John Edie. Council on Foundations, 2008.
- “Principles of Accountability for International Philanthropy,” Council on Foundations, European Foundation Centre, 2007.
- “Stewardship Principles for Corporate Grantmakers,” Council on Foundations, 2004.

## STATE OF CORPORATE PHILANTHROPY

- “Giving in Numbers,” Alison Poppe Rose. Committee Encouraging Corporate Philanthropy, 2011.
- “Foundation Growth and Giving Estimates 2010,” Stephen Lawrence, Reina Mukai. The Foundation Center, 2010.
- “The State of Corporate Philanthropy: A McKinsey Global Survey,” Sheila Bonini, Stephanie Chenevert. *McKinsey Quarterly*, 2008.

## THEORY OF PRACTICE

- “What’s Next for Philanthropy?” Katherine Fulton, Gabriel Kasper, Barbara Kibbe. Monitor Institute, 2010.
- “The Virtue Matrix: A Tool for Understanding Corporate Social Responsibility,” Dean Roger Martin. *Harvard Business Review*, 2002.
- “The Stages of Corporate Citizenship: A Developmental Framework,” Bradley K. Goggins, Phillip Mirvis. Boston College Center for Corporate Citizenship, 2006.

## STRATEGY AND EXECUTION

- “Business at Its Best: Driving Sustainable Value Creation,” Margaret Coady and Nijma Kahn. Committee Encouraging Corporate Philanthropy, Accenture, 2011.
- “Creating Shared Value: A How-to Guide for the New Corporate (R)evolution,” Valerie Bockstette, Mike Stamp. FSG, 2011.
- “Making the Business Case for Corporate Philanthropy,” Baruch Lev, Christine Petrovits, Suresh Radhakrishnan. The Conference Board, 2010.

### **SYSTEMS MANAGEMENT**

- “Integration: Critical Link for Corporate Citizenship, Strategies and Stories From Eight Companies,” Julie Engel Manga, Philip Mirvis, Steven A. Rochlin, Kristen F. Zecchi. Boston College Center for Corporate Citizenship, 2005.
- “The Fifth Discipline: The Art and Practice of the Learning Organization,” Peter M. Senge. Society for Organizational Learning, 2006.
- “Mapping Success in Employee Volunteering: The Drivers of Effectiveness for Employee Volunteering and Giving Programs and Fortune 500 Performance,” Bea Bocalandro. Boston College Center for Corporate Citizenship, 2009.

### **PROFESSIONALIZING THE FIELD**

- “Leadership Competencies for Corporate Citizenship: Getting to the Roots of Success,” Christopher Pinney, Signe Spencer, Sylvia Kinnicutt, Anthony Callahan. Boston College Center for Corporate Citizenship, 2010.

### **COLLABORATION**

- “A New Challenge for Global Companies: Successfully Managing MLO and NGO Relationships,” FSG, 2007.
- “Beyond Corporate Social Responsibility: The Scope for Corporate Investment in Community Driven Development,” The World Bank, 2006.
- “A Global Education Challenge: Harnessing Corporate Philanthropy to Educate the World’s Poor,” Justin W. van Fleet. Brookings Institution, 2011.

### **COMMUNICATION**

- “Corporate Contributions Report,” Matteo Tonello; Judit Torok, The Conference Board, 2011.
- “High Expectations, High Opportunity,” Philanthropy Awareness Initiative, 2011.
- “Put Your Mouth Where Your Money Is,” Philanthropy Awareness Initiative, 2011.

**Visit [www.cof.org/corporateguide](http://www.cof.org/corporateguide) for additional resources.**

**Corporate Philanthropy 2012**

Christopher Pinney  
Project Lead and Writer

**Council on Foundations**

Elizabeth B. Sullivan  
Managing Director, Corporate, Independent, and Family Philanthropy

Kimberly Young  
Director, Corporate Services

Melanie Preston  
Coordinator, Corporate and Independent Services

Daniel J. Levin  
Director, Editorial Services

**Design:** Eason Associates Inc., Washington, D.C.



COUNCIL *on* FOUNDATIONS

2121 Crystal Drive, Suite 700  
Arlington, Va. 22202

[www.cof.org](http://www.cof.org)