www.grantcraft.org

grantcraft
PRACTICAL WISDOM FOR GRANTMAKERS

2 The case for engagement

6 Seeking common ground with business

18 Philanthropy and corporate citizenship

22 Forging partnerships across sectors

26 Key lessons from grant makers

WORKING WITH THE BUSINESS SECTOR

PURSUING PUBLIC GOOD WITH PRIVATE PARTNERS

working with the business sector

pursuing public good with private partners

PAGE 2
Introduction: The Case for Engagement
Grant makers have plenty of reasons to engage the private sector — and plenty of reasons to be cautious. This guide offers suggestions on how people from business and philanthropy can collaborate, drawing on experiences from both sides of the table.

PAGE 6
Seeking Common Ground with Business
Primarily for grant makers working outside the corporate sector, this section looks at several key questions. How much business involvement in philanthropy is realistic? What kind of involvement should you seek? And how can you balance a need to engage business with, in some cases, a desire to change how business is conducted?

PAGE 18
Philanthropy and Corporate Citizenship
Intended mainly for people working in corporations and corporate philanthropy, this section offers suggestions for linking business and charitable activities in ways that benefit both.

PAGE 22
Forging Partnerships across Sectors
On either side of a business-philanthropy collaboration, cultural differences, misunderstandings, and simple inexperience can get in the way of cooperation. With patience and creativity, these can be overcome — or at least managed.

contents

PAGE 26
Key Lessons from Grant Makers

PAGE 28
Other Ways to Use This Guide

SPECIAL FEATURES

11 **CASE STUDY: Changing Business Practices**

15 **Setting Up a Foundation-Corporate Partnership**

16 **Building the Case in Your Organization**

21 **Evaluating Impact**

IN THIS GUIDE, grant makers consider their reasons for bringing business and philanthropy into closer collaboration and what they've accomplished by doing so — from changing business practices to enlisting the corporate sector in solving global problems. Separate sections cover the relevant issues for people working inside and outside the business world, while a special section offers tips on bridging the cultural divide.

This guide was written by Bettye Pruitt, with assistance from Anne Mackinnon and Tony Proscio. It is part of the GrantCraft series.

Underwriting for this guide was provided by the Ford Foundation.

Publications and videos in this series are not meant to give instructions or prescribe solutions; rather, they are intended to spark ideas, stimulate discussion, and suggest possibilities. Comments about this guide or other GrantCraft materials may be sent to Jan Jaffe, project leader, at j.jaffe@grantcraft.org.

To order copies or download .pdf versions of our publications, please visit www.grantcraft.org.

You are welcome to excerpt, copy, or quote from GrantCraft materials, with attribution to GrantCraft and inclusion of the copyright.

© 2004 GrantCraft

Introduction: The Case for Engagement

"We are trying to solve problems here, and it may be that there are too few resources if we only work on our own, or there may be a way to do something better by combining competencies with for-profit companies."

—A grant maker on reasons for working with corporate partners

"I don't know if collaboration is the panacea or the latest model, but for some issues — like AIDS in the developing world — the response is going to have to be a multisector response."

—A philanthropic advisor on the need for cross-sector collaboration

Grant makers have many reasons to cooperate with people in the for-profit sector. Foundations frequently collaborate with businesses to co-fund projects or organizations in which they share an interest. In some fields, such as banking or retailing, foundations actively support research and advocacy aimed at changing business practices — work that often focuses scrutiny and pressure on particular firms. Some grant makers actively seek out alliances with businesses, forging partnerships in which the goals of the two parties are not identical but can be powerfully complementary.

Some grant-making goals can be achieved only with the involvement — and ideally the cooperation — of private industry. As one long-time funder of anti-poverty programs explained, "Many of the resources people need to build a good life for themselves are provided by the private sector. They hire people, they fire people, they put productive facilities in places, they purchase goods and materials. It's hard to ignore a sector of society that has such a pervasive influence — potentially both for good and for bad." In his program area, he argues, "if we want to improve people's life chances, we have to find ways to engage the private sector."

Some grant makers, of course, are already allied with private companies, as part of corporate foundations. Their grants may routinely be aimed at purposes that are consistent with the strategic goals, expertise, or geographic locale of the company that provides the money. A pharmaceutical company's foundation, for example, might make grants to improve health care delivery. A financial services company's foundation might support economic development in communities where it operates. For the corporate grant maker, the intersection of goals can mean stronger support from the company and access to other assets, such as the knowledge and expertise of the company's

staff, its good relations with public and private players, and maybe the use of products or services in furthering philanthropic aims.

Reasonable as various forms of cooperation might seem, cooperation is never simple. Some alliances raise practical and philosophical concerns for both parties. Many grant makers are understandably wary of using philanthropic dollars in ways that might appear to promote private gain. Corporations, accountable to shareholders, may be reluctant to be seen as dispensing money for social goals unrelated to their primary business mission. Each side may be inclined to see an alliance as a slippery slope, leading to things they would rather avoid — or, in philanthropy's case, things that are legally prohibited.

Plus, as several grant makers pointed out, there exists in philanthropy a tendency to "demonize" the private sector. "When we started this [collaboration with business] a few years ago," one grant maker recalled, "we were pretty roundly attacked by colleagues who asked, 'Why are you trying to partner with them? You should be beating up on them!'" The more legitimate question for grant makers, he argues, is "What can we possibly do to influence the way the private sector operates?" For him, the answer includes strategic alliances with partners in the private sector.

WHY WORK TOGETHER?

When charitable resources require corporate resources and know-how. Consider a funder trying to battle a disease that's prevalent mainly in poor countries. Controlling the disease involves not only identifying an effective treatment but delivering that treatment to millions of people, many of them living in rural areas without regular access to clinics or medical professionals.

In one case, a foundation persuaded a pharmaceutical company to donate millions of doses of a new, highly effective, and easy-to-administer medicine for use in disease-control programs in selected countries where the disease was endemic. The grant maker then worked with the national health ministries in those countries to improve their systems for training health workers, administering the medication, and educating the public about the treatment regimen and disease prevention. Together, using their combined expertise and resources, the foundation and the pharmaceutical company were able to ensure that the medicine was distributed effectively.

When social and business needs converge. In other cases, foundations and their grantees have worked with corporations to design employee training, recruitment, and retention programs, on the theory that the companies would get a more stable, productive workforce, and people who need work would end up with more satisfying, better-paying jobs. The companies say that in-service training programs and opportunities for advancement lead to less employee turnover, greater loyalty, and lower personnel costs.

One foundation built a coalition in a large city involving several companies in a single industry, plus labor unions, community colleges, training programs, local government officials, and other

THINKING IT THROUGH: ONE GRANT MAKER'S TYPOLOGY

"In my mind," writes a grant maker who has worked extensively with business, "foundations engage business in the following ways":

- *Double indirect advocacy*: a foundation > funds a nonprofit > to inform government policy > that regulates or shapes business practice.
- *Indirect advocacy*: a foundation > funds a nonprofit > to advocate to business that it change its practice.
- *Indirect engagement*: a foundation > funds a nonprofit > to engage business in a project.
- *Direct relationship*: a foundation > works directly with business—for example, through joint funding for a project.
- *Direct funding*: a foundation > funds certain social elements of business—a "rare but sometimes helpful approach."

The typology, he explains, puts him in a position to ask "a bunch of questions," such as:

- Which approach is my foundation in the best position to pursue?
- What prerequisites should I look for in business partners?
- What public message will my foundation communicate with each of these alternatives?
- Which approach is likely to achieve results more quickly?
- Which approach is likely to lead to sustainable change and impact?

"I feel it's my responsibility to be constantly asking myself, 'Are we still on track with our [philanthropic] goals here? . . . I know that my friends on the business side are always going to ask themselves, 'Is this good for the company?' and they'd be derelict if they didn't."

funders. Despite some natural tensions among these participants (the corporations were competitors in the marketplace; the unions were not always in accord with the employers), the coalition hammered out a new citywide employment system for the industry. It included recruitment, training, apprenticeships, opportunities for promotion and fringe benefits, and other improvements to the industry's basic practices for finding and promoting workers. The head of one of the participating foundations estimated that he and his colleagues "spent two years consulting with employers' groups and local community organizations as well as government agencies to draw up an agreed structure and priorities for the partnership."

The result was a system that benefited two groups the foundation especially wanted to help: people seeking entry-level jobs, and low-level workers who wanted opportunities for advancement. For the industry, the system provided better-trained workers, a more stable labor force, and a much-improved image as desirable places to work.

When the public sector doesn't do the job. The cases just cited illustrate one powerful reason for businesses and foundations to form relationships: to fill gaps left by shrinking or inadequate government resources and services. "In the United States," said a grant maker in a corporate foundation, "there is an acceptance that government is doing less, so companies have to step up to the plate. . . . Likewise in Europe, where governments have traditionally done more, now businesses are having to face the need to address problems in education, homelessness, and hunger." And in some poorer countries, government needs support from philanthropy, NGOs, and others in the private sector to meet pressing social needs. (For more on this line of thinking, try the Web site of Business for Social Responsibility, at www.bsr.org, or the Prince of Wales Business Leaders Forum, at www.pwblf.org.)

ONE GUIDE, TWO VANTAGE POINTS

A grant maker in a private foundation says she routinely questions her own stance within any alliance, and that she expects the same from her corporate partners. "I feel it's my responsibility to be constantly asking myself, 'Are we still on track with our [philanthropic] goals here? Are we letting the interests of [the corporation] overtake the interests of the people we're trying to serve?' I feel if I'm not constantly asking those questions, the balance is likely to tip. I know that my friends on the business side are always going to ask themselves, 'Is this good for the company?' and they'd be derelict if they didn't."

People at corporate foundations see the opportunities for blending corporate and philanthropic interests somewhat differently. "I take our common interests for granted," one corporate grant maker said, "even when they're actually thorny and complicated. I have to assume, given my position here, that our business and philanthropic interests are consistent and can reinforce one another. If I woke up every day questioning that basic belief, I'd never get anything done."

This guide looks at the question of business-philanthropy cooperation from each vantage point. The first section views the issues from the perspective of grant makers working outside the corporate sector, in private or community foundations. The second section looks from the perspective of people working inside corporations or corporate foundations. A third section tackles issues common to both and the sometimes difficult process of bridging the divide.

Most readers will find all three sections valuable, if only for gaining a better understanding of the view from the other side. As a grant maker with experience in both private and corporate philanthropy puts it, "It's kind of a *Rashomon* experience. When you collect perspectives and perceptions and beliefs from various stakeholders, you're probably going to come up with a fairly interesting analysis of where and how to invest philanthropic money."

WHERE THE EXAMPLES COME FROM

This GrantCraft guide draws on conversations with grant makers, grantees, consultants, and others in the nonprofit community, and corporate partners in philanthropic initiatives. More than forty people, representing more than twenty-five institutions, generously shared their time in describing and reflecting on the work of finding alignment between for-profit and nonprofit objectives and directing it toward positive social change.

A list of those who contributed is on page 29.

Seeking Common Ground with Business

"When it comes to changing business practices, advocacy rarely does it alone. For years, you'd have advocacy groups saying 'Stop clear cutting.' That didn't take hold, in part because there wasn't a set of standards towards which you were pushing the company."

—A grant maker on changing business practices through advocacy and new industry standards

At a time when markets and enterprise are widely regarded as central to social problems and solutions, grant makers in private and community foundations have increasingly been drawn to corporations as possible collaborators. That impulse has been intensified in many fields — especially perennial philanthropic interests such as human services, culture, housing, scholarship, and poverty — by the withdrawal of government from many aspects of domestic policy.

One grant maker, for example, realized that, after the passage of federal welfare reform legislation in 1996, low-income families were no longer connected to the welfare agencies through which they had previously received the package of government supports – food stamps, child care, health care, the earned income credit – that might help them succeed at work and climb out of poverty. Some supports were still available, but there was little or no system for delivering them. "I began to think of employers as a source of delivering work supports," she said, "because that's where the workers are."

Businesses, for their part, have increasingly come to recognize a benefit in supporting certain nonprofit activities. The principal expression of their interest has been the "corporate social responsibility" movement, also called "corporate citizenship" or "corporate community involvement."

Grant makers outside the business world have contributed to the movement in various ways. Some have made grants to help nonprofits introduce business people to issues or activities that might interest them. Some have supported research to identify areas that might have a particular need for business involvement. In other cases, grant makers have helped their nonprofit grantees find the right approach — the "pitch," so to speak — to entice business into support or collaboration. Finding the right expression of "social responsibility" may have the double benefit of attracting a company's involvement and engaging the imagination and problem-solving skills of its personnel.

Three approaches to working with business. Private foundations and nonprofit organizations have found several ways of working with corporations, depending on the mission and needs of the various parties. In broad strokes, grant makers suggest three basic models for involving businesses in their work:

- attracting corporate resources for philanthropic purposes
- collaborating on common projects
- seeking change in the business world

These aren't mutually exclusive. Some projects combine elements of two or three. But it may be helpful to discuss the approaches separately, and then consider examples of how they can be woven together.

ATTRACTING CORPORATE RESOURCES

The most direct and elementary way of working with businesses is to persuade corporations to invest (or increase their investments) in philanthropic projects. If a company already makes charitable

donations or has a corporate foundation, this approach might amount to little more than one grant maker approaching another to explore the possibility of joint funding. But if the business is not already an active donor, or the field is not one in which it has made grants before, or the requested investment isn't a grant — if, say, it's a loan from a financial institution on favorable terms, or a contract to purchase goods or services within a specific community, or free or discounted services to grantees or community residents — then the grant maker may have to approach the company in a different way.

Identifying a corporate interest. The challenge in these latter, more complex cases is to identify a strategic interest of the company that the prospective relationship might satisfy. Sometimes a community needs goods or services that the company provides, but the company has been unsuccessful at doing business there — perhaps because the company lacks knowledge of the community or has underestimated the potential market.

To help residents of disadvantaged communities get home mortgages, for example, one grant maker supports work by nonprofits that function "like a sensory apparatus for lenders. They go into areas that lenders do not have a history of serving, and they help determine who are the people who are really mortgage-ready out of this community. Often they do the marketing and find the customers. They train them to be better borrowers. They get all their materials ready and then hand the customers off to the for-profit market." At that point, banks can make mortgage loans that they would not otherwise have made; they may even be willing to issue unconventional mortgages, based a nonprofit's advance work. As a result, the lender has a new customer, and the grant maker's philanthropic purpose has been advanced.

In another case, a small foundation helped several community arts organizations develop more effective appeals for corporate sponsorships. The arts institutions had assets that companies might be happy to sponsor — coffee bars, rehearsal or gallery space, special events — but the arts groups didn't know how to present those opportunities to local businesses. When their efforts succeeded, the businesses not only made donations but became more attached to the missions of the organizations and were more likely to make future contributions. "Corporations," said one of the arts grantees, usually "want visibility we can't give them – we're not a major art museum or orchestra. . . . But with [the foundation's] help, we discovered that one exception to that rule is companies whose products we use or sell on a regular basis," such as publishers, refreshment companies, or companies that produce or distribute artistic work. The result of seeking support from those companies, the grantee says, has been the growth of a small but close-knit group of corporate sponsors that now proudly support the organization and whose employees regularly attend its events.

Dollars first, then deeper involvement. Often, the reason for pursuing greater corporate resources is not simply a matter of increased fundraising but something more strategic: a desire to raise companies' interest in solving a problem or pursuing a cause. More

FOR PROFIT AND BEYOND

Why might business be attracted to the idea of collaboration? Grant makers and nonprofit grantees point out that for-profit businesses work from a range of motivations, and that it makes sense to try to understand the norms of the company or industry you're trying to engage. Notes one experienced funder, "Some nonprofit organizations approach businesses from a profit perspective, arguing, for example, that the company is missing an untapped opportunity to sell products and services. Some are taking a larger view of why firms may have more than a profit motivation — some reason to become involved in the well-being of their communities."

Briefly, people in business often align their decisions about social engagement with one of the following viewpoints:

- *Maximize profits*. As economist Milton Friedman put it, "The social responsibility of business is to make a profit."
- *Do no harm*. Maximizing profits is a priority, but so is the social impact of a company's actions.
- *Two bottom lines*. The best business opportunities generate both social and financial returns.
- *Maximize stakeholder returns*. Actively pursue the interests of workers, communities, and the environment, along with shareholder profits.

"As we were working with the county to get better transportation for our target area, [the company] started to realize that this was a community where they could be drawing more employees and customers — but not if people didn't have transportation."

than just dollars, the desire is to build relationships and a sense of investment among the contributing firms.

A grant maker who works with community organizations on transportation issues found, somewhat to his surprise, that a corporate donor gradually became involved in the strategic side of the work: "They stayed in touch with us — presumably to see that their donation was being used effectively. But little by little it was more than that. As we were working with the county to get better transportation for our target area, [the company] started to realize that this was a community where they could be drawing more employees and customers — but not if people didn't have transportation. So they started sending [company employees] to county planning meetings with us, and helping us draw up more professional proposals, and just generally acting like part of the team. And it started with a grant."

Corporate volunteerism. A grant maker engaged in several Latin American countries has seen similar effects but pursues a more deliberate approach: "We're trying to mobilize philanthropic resources, but we consider volunteerism around social issues and social justice to be just as valuable as traditional contributions. We're working case-by-case in different countries, identifying the main challenges that the foundation and civil society are facing that can also attract the commitment of private volunteers." This has meant, in Colombia, supporting a nonprofit organization formed by a group of entrepreneurs who hope to contribute private-sector energy toward the peaceful resolution of a decades-long conflict. In Argentina, the foundation supports an organization through which corporate employees can volunteer to assist people affected by the country's economic crisis.

Finding a non-threatening point of entry. "Some issues are considered too political, and companies don't want to be associated with that," notes a grant maker in a Southeast Asian foundation. "Corporations normally shy away from supporting nonprofits working on military studies, human rights, or the environment, where there is a history of collusion between military, business, government, and local parliaments. They tend to leave those issues to the multinational corporations and foundations and to fund less risky activities like education and orphanages." She has tried to find creative ways to break down this resistance—for example, by supporting an organization of university theater groups that perform on the subject of peace.

COLLABORATING ON COMMON PROJECTS

Some grant makers collaborate with business by developing joint ventures in which companies are direct participants.

Funding grantees to work with business. One ambitious example involved a foundation and a corporation that was building a new facility in a large city. The foundation was interested in increasing employment opportunities for residents of the city; the company wanted to form good relationships with local politicians and establish a reputation as a good corporate citizen.

In the ensuing partnership, the foundation made grants to local employment, training, and community organizing groups in neighborhoods with high

rates of unemployment and underemployment. The company coordinated its job fairs and other hiring activities with the foundation's community-based grantees, and then created a center at its new facility to train entry-level workers and help them succeed at their jobs and move up the ladder. (For the grant maker's reflections on this partnership, see "Setting Up a Foundation — Corporate Partnership," on page 15.)

Identifying issues of common concern. Employment is not the only area where corporate and community interests can intersect. A grant maker in a large international foundation helped grantees in a developing country form alliances with corporations around an issue of shared concern: citizen safety and security. "This took the form of forging partnerships among the police, city government, and the city's Central Business District Association to address issues of crime, street families, and governance of the city." A grant maker in the United States, for example, funds community-based organizations to work with neighborhood businesses to create business improvement districts. The purpose is to help the businesses thrive and at the same time keep them in the neighborhood, where they provide services and occupy commercial real estate.

To read more about partnerships that bring investment to low-income communities, see the Web site of Win-Win Partners (www.winwinpartner.com).

Building alliances. What makes these efforts especially ambitious and far-reaching is the prospect of changing businesses' practice or policy in a more profound way. (Business may sometimes have a corresponding goal: to influence the way foundations or nonprofits go about their work.)

In the case of the employment program, the foundation plainly hoped that the company would find that it attracted better employees, held their loyalty longer, and earned wider community support by taking the extra step in hiring, training, and counseling people from inner-city areas.

TO CONFRONT OR TO COLLABORATE?

Grant makers and grantees point out that there are three principal motivators for companies to take up a social agenda: values, strategy, and the pressure of regulation or litigation, either actual or threatened. "If you get all three of those running at the same time," says one, "then you've got a chance to get something that lasts from one business cycle to the next. If it's only one, first, it's hard to make the move happen and, second, when it does happen, it's not clear it's going to be sustained over time. And it's probably not going to get to scale."

Yet grant makers who have used a mix of strategies say that finding the right balance is likely to be an iterative process. "By building best practice, to some extent we begin to change our idea of the possible," suggests one experienced grant maker. "Hopefully we establish what can be done profitably and thereby, through practice, identify what needs to be regulated, or what needs to be subsidized, in order to induce the desired business behavior."

The certification approach, explained on page 13, is one example of striking a balance. Another is grant makers' follow-up to the passage of the Community Reinvestment Act in 1977, described on page 11. It included, among other things, funding for community activism and underwriting loans to reduce the risk of lending in low-income communities.

Suggests one grant maker: "It's all well and good to say to a corporation, 'Well, you should do this because you'll feel better about it.' But if you can connect that with a bottom-line impact, an economic impact, you're going to have a partner for life, as opposed to somebody who will just periodically come in because it feels good."

SEEKING CHANGE IN THE BUSINESS WORLD

Grant makers sometimes adopt goals that challenge the practices of a business or industry — for example, in labor standards, product or workplace safety, or environmental issues. Relations may become contentious, but the differences need not be unbridgeable. As many grant makers have found, a mix of approaches — including but not limited to advocacy — may be most effective.

Finding solutions to market flaws. Some people on both sides of any confrontation between business and philanthropy presume that their disagreements reflect fundamental differences in philosophy about free markets, wealth, and capitalism itself. That may be true in some cases, but, as many grant makers point out, it often is not.

Classical market economics expressly accounts for social burdens that may be created by free enterprise but cannot be corrected by market forces alone. Market imperfections may be the result of failures of information or understanding (as when prejudice causes employers to undervalue the possible contribution of some job applicants), or they may be so-called *externalities*, like pollution or sprawl, which narrowly benefit one company or industry but whose true costs are borne by society at large. In such cases, even the most fervent market theoretician may recognize a need for regulatory, fiscal, or educational correction.

Urging regulatory change. To achieve an outcome on the scale of the passage of the Community Reinvestment Act (see page 11), notes one grant maker, "you or your grantees may need to make the argument to the public sector that there's a gigantic public benefit that exceeds whatever cost is going to be borne by getting all of the businesses to do the right thing." This will probably be a long-term undertaking and is likely to face opposition, not least from the affected industry.

One way to mitigate the problem, grant makers suggest, is to develop support for the change in the business sector in advance of regulation. For example, a grant maker in a medium-sized foundation has the long-term goal of winning spousal rights to employee benefits for same-sex couples. For now, the grant maker is funding grantees who are changing public opinion at the local level and working to persuade a few leading corporations to adopt policies without the pressure of regulation. "Equal rights for this community is not supported by law," he notes. "And, as with anything, the feds move very slowly – there has to be critical mass before they're going to change. So if corporate America says that equal benefits are important and if local governmental agencies say nondiscrimination is the way to go, at some point the federal government has to address that."

CASE STUDY

Changing Business Practices: The Community Reinvestment Act

One well-known model of business-nonprofit collaboration has been the cooperation of American financial institutions and community-based organizations in promoting and financing the redevelopment of disadvantaged areas. Foundations have played an important role throughout the process.

Financial institutions have a special incentive not typical of most businesses: The Community Reinvestment Act of 1977 requires them to demonstrate that they extend credit fairly throughout all the areas where they do business. Community groups often help financial institutions find sound credit opportunities in poorer sections of their market area. In return, the community groups may enlist the institutions' expertise in helping developers and nonprofit organizations design financially viable projects. Since CRA was passed, funders, grantees, and bankers have developed new methods of finding and preparing borrowers, new kinds of mortgages, and new provisions in the national mortgage-capital markets to fuel this branch of lending. Foundation-funded research and innovative programs by lenders and their corporate foundations have led to dozens of new ways to meet the law's mandates and extend credit — by now hundreds of billions of new dollars — into poorer communities.

For years before the passage of the Community Reinvestment Act of 1977, community organizations had protested the scarcity of bank branches, loans, and financial services in poor neighborhoods. Urban historians and economists had demonstrated a pattern of bank "redlining" in such neighborhoods — that is, simply refusing to do business there — over many decades. Although banks formally opposed the Act at the time (and many continue to do so), some bankers privately recognize the practice of redlining as a classic market imperfection: Most banks will not willingly invest in low-income communities unless they are sure their competitors will do the same. Regulation, though almost always unwelcome in any industry, is the only way to ensure that end.

A grant maker who supports community development organizations in such partnerships explains the value of business collaboration this way:

"The sheer mass of the problem [of deteriorated urban communities] is far too great for philanthropy to solve, even if a huge percentage of philanthropic wealth were devoted to this one issue — which it isn't going to be. The private capital markets are vastly bigger than all of philanthropy combined, and they have more expertise to offer this field than foundations could amass anywhere else. And anyway, poor neighborhoods don't want to be charity cases, they want a fair chance at participating in the normal economy like everyone else. Now, banks wouldn't exactly be tripping over each other to capture this part of the market, obviously. For that, we needed federal regulation. But once that happened, foundations took the opportunity to help their grantees acquire the skill to work effectively with the lenders. With our help they created more and more opportunity both for their communities and for the lenders' regulatory compliance. Over a couple of decades, they have made things happen that are far beyond what philanthropy would ever have been capable of."

When a few members of Congress mounted a major challenge to the law more than a decade after its passage, banks and a few others supported the repeal effort, but the anti-CRA forces were not nearly so unified or strong as they had been in 1977. Subsequent efforts to repeal the Act still arise from time to time, so several grant makers have found it prudent to support research and public-information projects to document what CRA has achieved.

Creating economic incentives. Changing the way businesses behave can also mean creating incentives that reward better behavior, rather than mandates to compel change. For example, a U.S. grant maker is working with a group of financial institutions to understand the services they provide in low-income communities. "We've supported grantees who wanted to collect very specific financial data on whether or not these institutions can serve the population profitably. If the answer is yes, that's great, and hopefully the institutions will do it because there's profit in it. If the answer is no, that creates a public policy agenda. Because it then suggests that, based on the best judgment of some twenty financial institutions, the only way to serve this population is with some subsidy – for example, a tax credit to lower the hurdle for companies to serve this market."

In another example, a national foundation collaborated with a group of large employers and a managed care trade association to establish a new nonprofit, dedicated to improving the quality of managed care. With foundation and corporate support, the organization developed a system for gathering performance data from health plans on a wide range of clinical indicators — childhood immunizations, for example, or asthma and diabetes management. Accreditation is voluntary, but health plans have an incentive to participate, since they gain an advantage in competing for the busi-

WHAT THEY DID – HOW THEY DID IT

Learning the Business

Making common cause with people in the business sector often involves learning more about their industry — a process that takes time. One example comes from a grant maker who wanted to improve the quality of news reporting by commercial broadcasters. "It was my feeling," he recalls, that if we wanted to affect the media, we wanted to go for the big players. We could have worked with independent media, but their audience is smaller and much more insular. I was looking for something larger."

At the same time, he realized that the industry's own ethics meant that journalists would be skeptical about working with him. In his words, "One of the big issues we really had to be aware of was that mainstream journalists are fiercely protective of their independence. Anything that sounds to them like you're trying to influence them, they will immediately react to quite defensively — and offensively, as well. They will attack."

As a first step, the grant maker decided to support a group of nonprofit organizations that were trying to promote diversity and ethical standards in the newsroom. Through that work, he began to hear from journalists who were concerned about new financial pressures, intensified by industry consolidation, to meet quarterly earnings targets: "The pressure cascades down the system and eventually hits the newsroom and the journalists, who have to decide, 'Do we do this because it's important journalism, and it costs a lot of money to do? Or do we go this other route, because it will increase ratings, even if it's not going to be very meaningful?' "

Understanding the market from broadcasters' perspective put this particular grant maker in a position to sponsor research on how economic pressures were affecting television and radio program directors — research that was relevant to what journalists were actually experiencing. He has also funded meetings for industry CEOs to discuss ethical issues and corporate social responsibility.

ness of employers and other purchasers of managed care contracts.

Mobilizing consumers through certification. One way to enlist consumers directly in the cause of business reform involves *certification* — that is, letting consumers know when companies' production and distribution methods meet standards of social responsibility. Some or all of the companies in an industry may be willing to confer with nonprofit advocacy groups and others to set achievable standards for producing goods that are, for example, "eco-friendly" or "sweatshop free." The advocacy groups may also bring the issues directly to public attention, to create an awareness of standards and which companies are meeting them.

A grant maker who supports environmental causes found that certification could be a powerful way of drawing corporate attention to problems that would normally lie outside companies' market calculations. "The breakthrough came when some very smart people in environmental advocacy groups began to realize that you could identify the market into which a company was selling. And if the way they were producing the product was socially unacceptable, you could go to their customers and say, 'Do you want to be associated with the purchase of this socially and environmentally unacceptable product?'" The result, the grant maker said, was that companies began to seek ways to earn certification in order to have their brand name associated, in consumers' minds, with desirable practices.

Finding a business interest in social goals. It is also crucial to remember that, as individuals, business people may share the desire of grant makers and nonprofit groups to solve problems. As leaders of companies, they may be persuaded that business shares some responsibility for desirable social outcomes — but they may not want to shoulder that responsibility alone.

One grant maker, the founder and head of a small family foundation, wanted to continue to advocate for

WHAT THEY DID – HOW THEY DID IT

Working with "Leadership" Companies

Businesses, like most other organizations, pay closest attention to what their peers – and especially their competitors – are doing. Hence, the potential for a cross-sector partnership to have impact is much greater if a major industry player is an early adopter and advocate of change. In the corporate social responsibility movement, a small but growing number of such companies – particularly global corporations and companies based in western Europe – are playing leadership roles.

In the words of a grantee active in the social responsibility movement: "You start meeting with an industry leader and you actually create the potential for systemic change as a result of that. That doesn't work everywhere, but it does work more and more. Sometimes, you actually hear businesses start to say, 'We'll leapfrog over this question. We want to be the market leader on this.'"

As the banner example, she notes the conversion of the do-it-yourself home improvement giant Home Depot, Inc., to environmentally friendly wood products. Under intense pressure from sustainable forestry advocates, the company first created a single line of "green" products. As more and more customers called to ask about it, the grant maker says, "they woke up and realized, well, if we're selling one line of wood that's sustainably harvested, we're basically saying 'We've got one good product and the rest of our products are killing the planet.' That's tough to brand, isn't it?"

Home Depot has publicly committed itself to being an environmental leader and is increasingly using wood products certified by the Forest Stewardship Council — making a huge impact on the forestry industry.

For more on grant makers' role in supporting certification and the sustainable forestry movement, see the GrantCraft video *Funders Collaborative*, available through www.grantcraft.org.

the employee-friendly policies that had been a hallmark of his business. In addition to giving 25-30 speeches on the subject each year, he funded the creation of a nonprofit focused on helping small and medium-sized businesses improve policies toward employees. "We did a detailed needs assessment and found that businesses want to do this but don't know how," he recounted. The organization produced a handbook and Web site on how to create family-friendly programs and build employee morale and loyalty "without spending lots of money on consultants."

WHAT THEY DID – HOW THEY DID IT

Setting Up a Foundation-Corporate Partnership

When private foundations seek alliances with business, they often do it through their grantees rather than on their own. But that's not always the case. One foundation, for example, sought out a direct partnership with a large retail developer, in hopes of creating employment opportunities for low-income residents of a city where the developer would soon be opening a new mall. The company had promised the city that it would give at least one-quarter of the jobs in the mall to residents of low-income neighborhoods. The foundation wanted to ensure that people who most needed and wanted the jobs would be able to apply, get training, and succeed once they were hired.

It was, in many ways, a natural fit between corporate and foundation interests: the company needed to hire the very people whom the foundation sought to help. Still, as a consultant who helped broker the partnership pointed out, the grant maker was "very clear about where she drew her line: She was not going to put major dollars into anything that merely helped the company satisfy its obligation to the city. She said from the beginning, 'We are in business to help the community organize itself around the opportunities that might be created by this development.'"

The consultant was the foundation's main agent in setting up the partnership. Because there were many necessary participants in the ultimate arrangement — the city's employment programs, community groups, various divisions of the development company, and other local agencies — the consultant spent considerable time "working closely with the company and with the community to inform many, many people. We had a lot of community and public meetings."

Where the partnership became critically important, and where the consultant had to work hard to accommodate both the company's interests and those of the foundation, was in coordinating the application process and the hiring, training, and retention of new employees. The foundation's goal was to make sure that people who would otherwise have been left out of the job stream — people who had little information about job opportunities or who had no transportation or child care, or who might have family problems that could interfere with their job performance — could get help both before and after they were hired. For that, the company agreed to create a special office at the mall where people could learn about opportunities, apply for jobs, and get training and family assistance.

In the end, the goals were largely achieved. But there were many rough spots and some disappointments for both sides. The grant maker and consultant offer these lessons from their experience:

Don't assume that support from the CEO is all you need. "We made an assumption," says the grant maker, "that because a top executive understood that his company could achieve a social impact and advance its bottom line, the company as a whole shared that vision. That wasn't so. So one lesson is, when partnering with a particular company, it's important to have not only commitment and leadership from the top, but also from other people in the company, particularly in the areas of the company that are going to be key to the success of the project."

Learn about the company's business. "It would have helped us to understand the fundamentals of firm's business model better before we started," the grant maker believes. "For example, a key part of their business rationale was that the jobs program would make this mall attractive to retailers, because it would ensure a reliable source of employees at a time when the job market was very tight. We had developed this understanding with the development side of the organization, but in fact it was the leasing group that dealt with retail tenants. If we had known the structure of the leasing agreements, we would have recognized the importance of getting senior managers from those units engaged from the outset."

Produce a simple, written summary of responsibilities. "Foundations tend to be more into process, and companies are not," she adds. "The developer was on an 18-month timeline to get this mall from being a place where there was a sign in the ground to having thousands of square feet and people working in it. So our saying 'Let's have meetings, talk about roles, and put together a memorandum of understanding' would have been a nonstarter. But it might have been useful to draft something and send it to the top executive of the company and say, 'This is our understanding of what we're doing together,' and make sure that the eight or ten people who were involved all got a copy of it."

BUILDING THE CASE FOR COLLABORATION IN YOUR ORGANIZATION

FOR A PARTNERSHIP WITH BUSINESS

Grant makers in independent foundations may find that the first challenge in working with business is persuading their own institutions that an alliance is a good idea. Colleagues, superiors, grantees, or other observers may react skeptically, whether because of philosophical reservations, concerns about legal propriety, or a simple belief that the two sides' goals are too different to make a real partnership practical. Those concerns can be addressed, say grant makers who have navigated them.

In one case, a grant maker recounts, "I really felt, if we were going to work in health care, we needed to work with health care providers and funders — and if that meant just nonprofit providers and funders, we'd be ignoring two-thirds of the relevant universe. It seemed irresponsible and naïve not to try to find some common ground with the industry. But when I started discussing what I thought was an obvious idea, Whoa! Suddenly I found myself in the middle of everybody's attitudes toward health care corporations and HMOs. Person after person was saying to me, in effect, 'They're going to swallow you up! They'll eat you for breakfast!"

Not all reactions are likely to be as strong — and, in fact, says another grant maker, "often the attitudes to worry about are the ones they won't express to you. They might raise their eyebrows, and ask about 'mission creep,' and say, 'Have we explored other ways of doing this?' but they won't just look you in the eye and say, 'I don't like the idea of dealing with a for-profit company on this.'"

Whatever the source of colleagues' skepticism, it's important to address their concerns frankly and with careful thought. "The truth is," said the grant maker in health care, "they had real concerns, based on real experience, and I needed to show them I had real answers."

Grant makers in private foundations who have faced similar challenges offer these points of advice:

- **Be pragmatic and offer a carefully researched case.** Some business practices create social problems. It is important to work on changing those and on harnessing the considerable strengths of the corporate sector in forming a solution. Documenting both the troublesome practices and the opportunities to change those practices — with as much objective evidence as possible — is crucial. Citing what businesses can add to the mission may be a big plus. Solutions that rely entirely on government funding and nonprofit vendors tend to be, as another person put it, "resource-limited and fragile" because of their dependence on political will. Or, to quote another grant maker, "Bringing business into the equation opens up the possibility of more robust solutions."

- **Emphasize that businesses may welcome the partnership.** A large share of foundation donors and trustees are successful business people, who may have reservations about "reforming" business or "holding the private sector accountable" on social issues. Anticipate a negative reaction from that quarter, say some grant makers who have faced those objections. Think carefully about why businesses might want to work with you and would benefit if they did.

- **Make the case in the foundation's own terms.** A grant maker responsible for the health portfolio of a venture philanthropy, for example, understands that her organization values "this notion of using different financial instruments and tools as part of the philanthropic process." Knowing, as well, that the board is interested in supporting work in developing countries, she proposed a start-up loan to a company in Africa that produces anti-malaria bed nets for local distribution. By contrast, a grant maker in a U.S. foundation — one with a strong interest in national health policy — overcame her organization's reluctance to collaborate with a for-profit nursing home chain (on a project to improve the quality of nursing home care) by citing the company's influence in the industry.

FOR A PARTNERSHIP WITH PHILANTHROPY

Grant makers working in corporations sometimes find it hard to get attention and cooperation from their business colleagues or senior management — not because their civic activities aren't valued but because they aren't valued enough. Colleagues may need persuading that the company's philanthropic work is worthwhile, not just for its moral goodness or as a way of placating critics but because it benefits the company.

"To really have their attention," says one corporate grant maker, referring to corporate managers and executives, "it's got to be more than 'We want good P.R.' A project needs to be related to a business need or a business priority for the company." Examples that some grant makers cited are activities through which the company's brand name comes to be associated with values that it considers important, such as literacy, science, creativity, or healthy competition. Other examples include efforts to improve the physical or economic condition of communities where the company has facilities, or programs for families and children that benefit employees and their families.

Conversely, some business colleagues may be uneasy with the idea that philanthropy and business interests should intersect at all. Isn't philanthropy supposed to be pure and un-self-interested? Tax-exempt charitable activities do have limits, and by law they must not directly serve a profit-making purpose. Still, many legitimate charitable activities also create a better environment for the company and its employees and show commitment to good corporate citizenship.

Experienced corporate grant makers offer a few pieces of advice:

- **Don't be shy about aligning your grant making with corporate interests.** "One of the observations that I had early on," recalls one grant maker about starting work at a corporate foundation, "was that the company had so exaggerated its desire to keep its philanthropy separate from its core business that the philanthropy provided no lift for the company itself. That seems counterproductive." This grant maker pointed out to colleagues that even the purest individual charity normally springs from people's particular values, talents, and community relationships. A corporation need not be embarrassed about citing those same motivators for charitable activity. "Otherwise," said another grant maker, "people start to think up their own explanations for why you're active in philanthropy. The things they imagine can turn out to be wrong and unflattering."
- **Involve colleagues from within your company.** A grant maker in the corporate foundation of a pharmaceutical company was planning a program of grants to regional community health organizations to combat HIV and AIDS. As the grant maker described her approach, "I pulled a working group together and basically put these ideas out there to see if there was some resonance." She then called on various colleagues within the company to tap their knowledge and serve as technical resources. A colleague in the company described the process this way: "From the start, she was looking toward building an interest base across multiple areas within the company. By the time she presented it to our foundation board, she was able to say, 'Here's the team of people who've been involved, and here's what they see coming out of it.'"
- **Learn about measurement techniques and their limits.** Corporate grant makers are often asked to demonstrate the business value of their proposals. One attendee at a grant makers' conference offered this reflection: "We had two days of looking at different measurement methods, but there is nothing clear cut. There is frustration that there's not something quick and dirty with which to demonstrate business value." It pays to know what techniques are out there, and their strengths and weaknesses, when making a case for a philanthropic partnership. For more on this topic, see pages 19–21.

Philanthropy and Corporate Citizenship

> **"Companies are recognizing** that you can't have philanthropy over here, and that's your do-good piece, and then the rest of business just does the business."
>
> —A grant maker in a corporate giving program

For grant makers working in the business world — whether in a corporate foundation or in the civic or community relations department of a private company — aligning business interests with the public interest is a normal part of life. Even when a company supports activities that are completely unrelated to its business operations — when a manufacturer funds a music festival, for example, or a shipping company supports local schools — it usually hopes that its customers, employees, and neighbors will see the contribution as a sign of goodwill and the company as a good citizen and principled employer.

But some corporate grant makers also envision a more fundamental relationship between a company's philanthropy and its for-profit operations. Though far from being universally adopted, the concept of "corporate strategic philanthropy" — grant making linked to the strategic business objectives of the firm — is growing in importance, in tandem with the corporate social responsibility movement. "I don't know if it's the thing of the moment," notes one grant maker, "but companies are recognizing that you can't have philanthropy over here, and that's your do-good piece, and then the rest of business just does the business. You have to think about your social responsibilities in every part of the business. And it all needs to be interwoven and combined."

Corporate-sector grant makers pointed to three skills that strengthen their work and help them communicate effectively with colleagues on the business side of things:

- linking philanthropic objectives to the strategic goals of the company
- being creative about deploying resources other than money
- gauging economic and social return on philanthropic investments

Typically, grant makers employ these tactics in combination, as they develop projects, forge the necessary alliances, and sustain their own organization's commitment over time.

LINKING TO STRATEGIC GOALS

For grant makers, the challenge in building a relationship between civic and business goals is to find an approach that fits the company's core values, history, and strategic interests. "First and foremost, in strategic philanthropy the grant making project has to work for the company," says one experienced corporate grant maker, "so you need to build and maintain strong relationships within the business." She explained what she does to earn the respect and attention of her colleagues:

"Within a company, the most important constituents are the business units — the profit centers. But it's often hard to get their attention for the kind of work we are trying to do, in part because they don't have the technical expertise in this field to know that grant making is more than just giving money away. What the corporate grant maker needs to do is to educate senior executives to the contribution philanthropy can make, and the best way is by example – then other managers will turn to you for help in new situations."

This same grant maker cites her own experience with a global oil corporation. In a project to build a new facility in a country emerging from

a Communist system, the operating managers — most of them trained as engineers — were convinced of the need to invest in "hardware" infrastructure on the ground. They were less clear about the need for investments in "software" – people to run the new facility once the start-up team left. The grant maker identified and enlisted local nonprofits to help prepare people for the jobs the company was creating. Based on those results, the management team for a new project asked her to join them in the up-front planning for a new facility in southern Africa.

"For any kind of company going into a new area," she says, "there will be the challenge of dealing with the local people and their government. A grant maker can bring a more strategic view – a strategy – and the skills for doing this."

DEVELOPING BUSINESS RESOURCES

For grant makers who would like to forge a closer connection between their company and the wider community, opportunities may be found beyond the corporate grant budget, in the people and expertise of the company itself. Skilled volunteers from the ranks of employees, invitations to participate in company seminars or training sessions, or opportunities for grantees or their clients to visit the company or use its facilities — all of these create a relationship between civic and business interests that contribute to goodwill and offer material benefits to grantees.

Few grantees would consider in-kind support to be as desirable as a grant. But direct services can be a good supplement to financial support, and they can extend the company's relationship to organizations that would not be considered for a grant. "Most of our grantees don't consider us a big funder," says a grant maker with a regional health care company. "But they call us for all kinds of things that they might not ask of another funder — meeting space, recommendations about contractors, special health care programs for residents of the neighborhood, that kind of thing. It builds a relationship with the community we couldn't buy even with much bigger grants."

GAUGING "RETURN" ON PHILANTHROPY

Grant makers trying to advance corporate strategic philanthropy largely agree that the major hurdle is producing objective evidence — the kind of evidence business people are used to dealing with in their own work — that it is truly possible to "do well by doing good." Many researchers, in business schools and in philanthropy, have taken an interest in measuring "social return on investment" in social causes, using methods that businesses would easily recognize. But the research has met with only partial success. In the process, in fact, it has uncovered a number of problems with the idea.

It would be a mistake, as one business school expert put it, "to presume that you can justify everything in philanthropy — or even most things — in terms of measurable economic value. When you bring music or art to inner-city kids, or ease the social stigma of a disease, or help elderly people stay mobile and independent longer — sure, there are some economic consequences to that, and you can measure them. But if you

GOOD GRANT MAKING BUILDS TRUST

In their business operations, most companies work hard to win their customers' trust. They don't always realize that winning trust is also a challenge in corporate philanthropy.

Business executives may believe that generosity always begets goodwill — something most grant makers know isn't necessarily so. "If you build a new museum because the company president's brother-in-law wants it," one grant maker warns, "you will create cynicism." Being open about grant-making criteria, inviting comments or advice from nonprofit or civic groups, and articulating a philanthropic vision for the company can all be helpful in linking corporate grants with public understanding and support.

claim you're measuring what those things really mean, you're cheapening your work, and you're not fooling anybody in business."

One hurdle to get over when developing measures of value, suggests another corporate grant maker, is that "many corporations are loathe to spend a lot on evaluation, as it's not clear what benefits accrue back to the company for such expenditures." It stands to reason that most companies would be more interested in the construction of a new clinic than in paying researchers to study the benefits of that clinic over several years. But that is beginning to change: "Companies want to know what difference they're making," says an executive with grant-making experience, "and management wants to know that they're not just frittering company money away."

More on Making the Case

Corporate grant makers recommend the following sources:

"The Virtue Matrix: Calculating the Return on Corporate Responsibility," by Roger L. Martin (*Harvard Business Review,* at www.hbr.com), on helping companies assess the value and anticipate the consequences of socially responsible corporate behavior

People and Profits? The Search for a Link Between a Company's Social and Economic Performance, by Joshua Daniel Margolis and James Patrick Walsh, for research on the business case for "doing well by doing good"

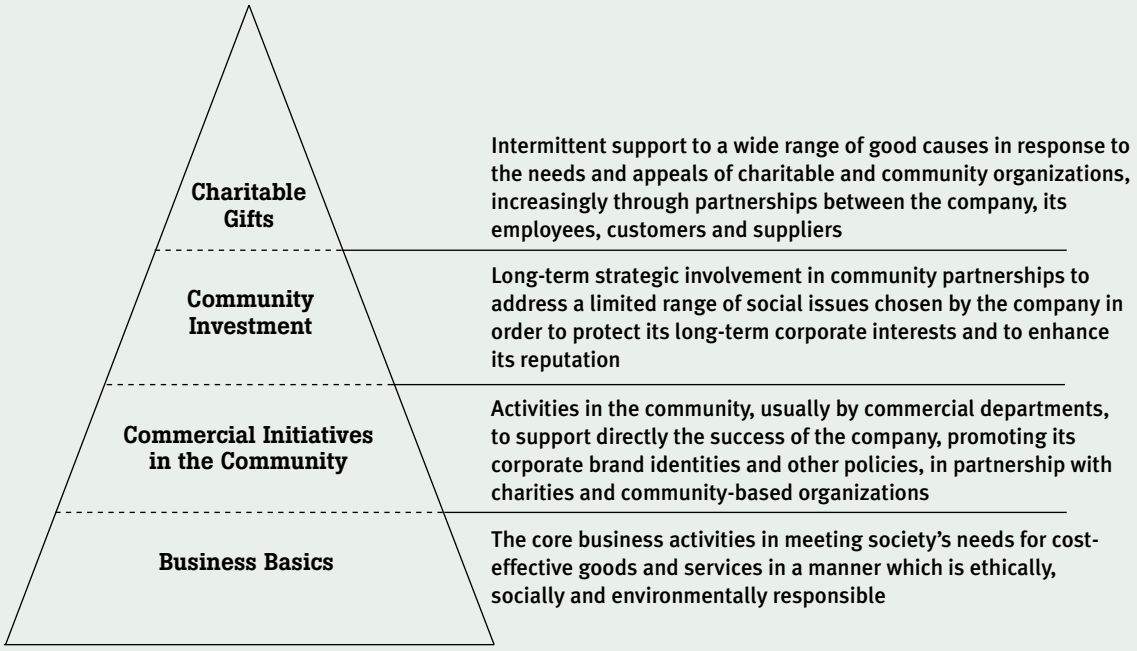
The Blended Value Map: Tracking the Intersects and Opportunities of Economic, Social and Environmental Value Creation, by Jed Emerson and Shelia Bonini (www.blendedvalue.org), on investing to generate a blend of economic, social, and environmental value

Hidden Agendas: Stereotypes and Cultural Barriers to Corporate-Community Partnerships (www.Igicommunications.com), by Laufer Green Isaac, for insights gleaned from focus groups with corporate executives and nonprofit leaders on how cultural stereotypes can impede collaboration

Evaluating Impact

In 1994, the philanthropic staff of six global corporations came together to develop an approach to evaluating their community investment programs. They became the London Benchmarking Group. Since then, the group has expanded, shared its work more broadly, and funded continuing research on the question of impact.

Recognizing that a company's motivation for making community investments will shape its need for and approach to measuring results, the group produced the model shown here. In this framework, the need to demonstrate business benefits becomes stronger from the top to the bottom of the triangle. The middle two categories — community investment and commercial initiatives in the community — are the province of strategic philanthropy.



The London Benchmarking Group model

In addition to looking more closely at corporate motivation, the London Benchmarking Group introduced a model of inputs and outputs aimed at capturing the full range of what might be measured to assess benefit. For example, a youth training program in one city received an input of £800,000 in direct grants and in-kind contributions of computer equipment. It produced outputs of a £3.6 million matching grant from a government-funded training program, 250 youths trained each year with an 80 percent post-graduation employment rate, and, for the company, a local reputation as a good citizen and the opportunity to hire well-trained employees.

The value of having such a measurement tool goes beyond proving the business case for strategic philanthropy, suggests David Logan, a former corporate grant maker and lead developer of the model. "It also enables companies to understand and communicate not just what they give but what they accomplish." Adds Logan: "The reality is that companies have rarely been involved in measuring impacts for either the community or the business. They have been happy, for example, to donate computers to schools without seeking to measure whether they improve the learning or examination results of the pupils. The fact that these computers may be chronically under-used, due to a lack of teacher training or technical support, is not picked up in the simple input-only analysis that dominates corporate community measurement and reporting."

Forging Partnerships across Sectors

"We've got these caricatures of one another, based on little fragments of experience."

—A grant maker on bridging the cultural divide

Certain challenges that confront business-philanthropy partnerships are common to both sides. The most obvious is the fundamental cultural difference between for-profit and not-for-profit organizations, which serve different purposes, produce different benefits, use different tools, and are often staffed by people with different professional backgrounds.

"Philosophy" is not necessarily on the list of differences. Grant makers who have worked on either or both sides of the divide point out that, while philosophical differences may come up, cultural differences between business and philanthropy are too easily mistaken for differences of principle or values. Says one:

"Business types often think that we [in foundations] don't value enterprise, competition, economic incentives, even capitalism itself. We think they don't care about vulnerable people, common assets like the environment or schools, or frankly anything other than money. We've got these caricatures of one another, based on little fragments of experience. Sure, our vocabularies are different, our methods of analyzing problems, sometimes our reaction to hierarchy or teamwork or government or whatever — all of those personal and organizational habits really do come up and sometimes raise big problems. But right and wrong? Ethical or not ethical? Public interest vs. private interest? It's surprising how often those deep questions aren't really an issue at all."

MAKING CONNECTIONS ACROSS CULTURES

In a word, grant makers in both corporate and independent philanthropy urged the importance of one crucial skill in dealing with these "personal and organizational habits" that divide the two sectors: awareness. There are no tricks, several people said, for simply "translating" the methods and vocabulary of philanthropy into those of business, or vice versa. Instead, they suggested, it's necessary to be aware, throughout your work together, of the reactions, interpretations, and predilections that are likely to influence the other side, and then to try, where possible, to think about your concerns and interests from the other point of view.

Here are some methods grant makers suggest for working through cultural differences and making the most of them:

Create forums for discussion and learning. Bringing people together is arguably the most important contribution grant makers can make, on many fronts. As one grant maker recounts, for example, "The power of fact-finding site visits for corporate leaders can be huge — and it helps build social capital in both sectors."

If the divisions between partners are profound, suggests one grant maker, "a lot of the stakeholders are probably looking for a place to come together and have some conversation. Foundations can definitely be a safe haven to bring people together and have that conversation. And by the way, it doesn't cost a whole lot of money, either."

Encourage business leadership. In the business community, new ideas tend to get the best reception when they come from peers, so bringing business leaders together can be an effective way of building momentum behind a

social agenda. The convening power of foundations can make that happen. In an example from Southeast Asia, a group of six grant makers – one working for an international foundation, the others in local corporate foundations and community development offices of global companies – assembled a group of local CEOs. "We assigned ourselves one or two CEOs each, just to share the idea about getting together, and to say that this was noncommittal and all that. Because each of us knew certain CEOs and approached them personally, they were very interested." The CEOs created a membership organization to study and promote corporate social responsibility. Says the international grant maker, "It was sort of using the clout of the foundation to just add a little bit of legitimacy to what people wanted to do."

Cultivate nonprofit leadership. Just as business executives tend to be most receptive to new ideas from peers, nonprofit leaders may be more likely to think differently about alliances with business when they talk to people from other nonprofits. One grant maker who participated in such a discussion was impressed when grantees who had worked with business were willing to "talk pretty openly about how they overcame their distrust and how they worked through problems that arose, and still not sound like they were sugar-coating the whole thing."

FUNDING GRANTEES WHO ARE "NATURAL EXPLORERS"

As with practically any attempt to do something new in philanthropy, a good part of the formula for success comes down to picking the right grantees. The best grantees are those who are already eager to try the new idea and have some natural advantage or skill that will help them succeed. Grant makers counsel strongly against prodding unwilling partners into "shotgun marriages." Instead, they offer these suggestions:

Support pioneers in the business community. When business people step out of familiar roles to lead on social issues, foundations can help them make connections that advance their work. For example, an international grant maker working in Latin America helped a group of Colombian entrepreneurs bring their business perspective and resources to bear on the problem of violence in their country. The grant maker helped them to organize meetings on the role of the international community in peaceful conflict resolution in Colombia and the role of the United Nations in mediating between the government and the violent forces. His foundation's support lent credibility to their efforts and brought the business sector into an important national conversation.

Help nonprofits strengthen incipient alliances. Often, promising partnerships between business and nonprofits arise not out of a deliberate, planned strategy, but because of an ad hoc project or a coincidental meeting of minds, or because a few individuals from business and community organizations happen to form a productive relationship of their own. When funders spot these spontaneous alliances, they can sometimes encourage and help enlarge them — even if the sponsoring organizations were not at first attempting to build a cross-sector program.

"These relationships take time, and quite often they need to grow slowly," one grant maker suggested. "Instead of saying 'Let's build a big initiative around working with the health care industry,' which will just scare everyone and raise the pressure level, it may be more effective to say, 'You've got something going with this hospital; let's see if you can work up something similar with another hospital across town — and we'll fund you for a year to try it out.' Then if it works, maybe you've got an initiative. And if it doesn't, you still have people who are getting to know one another better than they did before."

PLAYING THE FLEXIBLE BROKER

Because of their financial independence, foundations have a unique position at the intersection of nonprofit and for-profit worlds. They cannot be considered disinterested parties by either side, notes one grant maker, but they are not seen as self-interested either. "They can have a role in raising consciousness among the stakeholders as no one else can," adds a grantee.

Commentators for this guide suggested three areas where grant makers — both independent and corporate — can encourage alliances between nonprofits and business while working, in a sense, from the sidelines:

Support research and help disseminate information. A grant maker working for regional mortgage lenders funded research to show the economic value contributed by nonprofits that run foreclosure prevention programs. The mortgage companies had not taken much note of the service in the past, largely because the benefits were spread across the whole industry, but also because the economic value was realized only in the *absence* of a foreclosure — a true economic return, but not an obvious one. The grant maker used the research findings as an occasion to convene the parties and argue that the service warranted support from the companies that were benefiting. "One of the things you can do as a foundation," the grant maker said, "is say, 'Let me try to show you the value you can garner from this process.'"

Appeal to reluctant partners. Some business and nonprofit leaders who have tried to reach out to the other side have found it hard to get a hearing. In some cases, they say, the connection could benefit from a bit of diplomacy or outreach by a grant maker whose foundation is respected by both sides.

One case in which this might have helped involved an executive from a financial services company who wanted to help low-income families cross the "digital divide." He envisioned working with one of the large computer manufacturers to provide hardware, software, and broadband connections to lower-income families. To him, it seemed a natural point of tangency between business and good corporate philanthropy. Unfortunately, the computer firm didn't see it the same way. It might have gone differently, he thinks, if a prominent foundation had been willing to step in "to serve as a broker to bring two private industry folks together for the betterment of the community."

KEEPING A WRITTEN RECORD

A few grant makers who have worked on projects with businesses recommend keeping a running diary or at least some written reflections on the experience. One said: "With all the back-and-forth, the fumbling communications and crossed signals, the disappointments and the surprises, we really weren't in any position to understand this exercise while we were doing it. It was really only afterward, when we put some thoughts on paper, that we could say, 'Oh, there's where we got screwed up,' or 'Gee, we actually came a long way once we got to that point!' Both the good and the bad became a lot clearer to us afterward. What we learned from going through it methodically is now information we can put to use the next time we try this."

Key Lessons from Grant Makers

FOR GRANT MAKERS IN PRIVATE AND COMMUNITY FOUNDATIONS

- **Be prepared to think differently about how business can advance your philanthropic purposes.** The dividing line between nonprofit and for-profit work has blurred as the role of government in society has diminished, the role of business has become more pervasive, and a small but significant part of the business community has begun to accept greater responsibility for the well-being of society as a whole. In this environment, there are ways to harness market forces to advance your grant making objectives that did not exist – or did not seem proper – just a few years ago. You may greatly increase your chances for success by challenging yourself to explore opportunities in this unfamiliar terrain.

- **Consider various ways in which companies and business organizations can become involved.** On the simplest level, some businesses and corporate foundations may be willing to make grants (or enlarge their current grants) in cooperation with other funders. There may also be times when they would like to work on something directly in partnership with a foundation or a nonprofit grantee. They may even want to be part of a social-change effort that seeks to reform the way business is done in their industry. "Businesses consist of people who are also citizens, with human interests and social concerns like everyone else," says a grant maker in an independent foundation. "You never know what level of interest you may find among business people until you start poking around."

- **You may need to persuade colleagues in your own organization that working with business is a good idea.** Linking for-profit and nonprofit interests may strike some foundation employees as improper, or legally risky, or even just pointless. Not all these concerns are unreasonable, but some of them may be exaggerated or based on poor information. It probably won't be enough simply to explain how a partnership with business would advance your program goals. You may also need to explore less explicit forms of resistance — like political anxieties, philosophical misgivings, or distrust of corporate motives.

FOR GRANT MAKERS AND OTHERS IN THE CORPORATE SECTOR

- **Look for opportunities to link philanthropy with your company's goals in ways that benefit both.** There need not be a stone wall between your charitable aims and your company's business. Philanthropy should not be subservient to the profit-making interests of the company, but it can make use of the company's skills, its relationships with industry and the community, and the particular interests of its personnel. Philanthropy can benefit the company by building a stronger community, improving relationships between the business and its neighbors, and offering employees a chance to take a role in civic affairs.

- **Try to involve executives and employees in issues that are meaningful to them.** To make corporate philanthropy better understood and more widely supported in the company, it helps to start with a few managers who are personally interested in a philanthropic issue and who might gradually bring others along. Then work with them to design and execute a project that will show how your grant making can serve both charitable and business goals.

- **Evaluation of results should include both sets of goals.** Even with imperfect tools, assessing the outcomes of grants — both their social benefits and their economic usefulness to the company — may be important for maintaining continued support. Still, grant makers caution that colleagues should not expect to see measures of "return on investment" in philanthropy that are as clear-cut as in business. Among other things, philanthropy's achievements can't always be measured in dollars earned or units of input and output.

FOR PEOPLE WORKING IN EITHER SECTOR

- **The first challenge is to make connections and create opportunities for discussion.** It can take time, grant makers advise, for trust and frankness to develop between nonprofit and for-profit organizations, even when they are interested in similar goals. Sometimes, the most useful first step is just to bring the two sides together and explore common work and interests.

- **Anticipate and work with the cultural differences between the for-profit and nonprofit sectors.** Businesses and philanthropic organizations have different cultures, different vocabularies and backgrounds, and different ways of analyzing problems and organizing solutions. Those differences can sometimes give the impression that the two sides have unbridgeable philosophical disagreements, but many observers counsel against leaping to that conclusion. Pragmatism and open-mindedness work best in dealing with the differences. Grant makers from both sectors recommend being aware of your own cultural biases, acknowledging the legitimacy of the other side, and focusing on common objectives.

- **Be patient, and take notes.** Projects that involve working across the for-profit/nonprofit divide can take a long time to achieve success. For many nonprofit grantees, learning to work with business involves developing new skills, changing established ways of doing things, and even learning a new language. Because this is still new terrain, and the process of working together is not well understood, it can be helpful to keep a running diary while joint efforts are unfolding, both to help the participants reflect on what they've done together and to help others learn from their experience.

Ways to Use This Guide

In addition to helping you think about possible strategies for accomplishing your programmatic goals, a major purpose of this guide is to prompt reflection and conversation about the differences, tensions, and possible points of convergence between for-profit corporate interests and the goals of grant makers. To that end, depending on your objectives and where you sit, you may want to share the entire guide or portions of it with:

- Colleagues, as a frame for thinking about what value systems you hold – individually and collectively – that shape your relationships across the for-profit/nonprofit divide
- Grantees, as a prompt for them to consider how well they are prepared to function in dealing with potential or actual corporate-sector partners
- Trustees, as a basis for talking about how your foundation might participate in the ongoing discussion about the changing role of business in society

You may also want to use some of the ideas and examples presented here to:

- Bring forward in a cross-sector meeting or training program, when unstated differences in perspectives or values get in the way
- Provide examples to share with potential partners about the role some companies have been playing in addressing social issues
- Offer background on the broad context of cross-sector grant making to help frame conversations on strategic philanthropy

ACKNOWLEDGMENTS

We wish to thank the grant makers and grant users who generously shared their experiences and insights, and all those whose contributions of time, talent, and perspective have helped to make this guide possible.

Douglas Bauer
Elizabeth Biemann
Angel Bermudez
Sarah Bock
Beth Buehlmann
Howard Byck
John Colborn
Michael Conroy
Frank DeGiovanni
Anne Dowling
Barbara Dyer
Fran Eaton
Virginia Esposito
Lewis Feldstein
Jon Funabiki
Carol Glazer
Lisa Jordan
Richard Jung
Michele Kahane
Bassma Kodmani
Jessica Laufer
Rick Luftglass
Paul Lehman
David Logan
George McCarthy
Mara Manus
Branka Minic
Helen Neuborne
Raymond Offenheiser
Ariel Pablos-Mendez
Mark Rand
William Reese
Caroline Roan
Steve Rochlin
Jerry Rubin
Felia Salim
Judith Samuelson
Roberta Shulman
Suzanne Siskel
Sean Stanton
Paul Thompson
Augusto Varas
David Vidal
Robert Wadsworth
John Weiser
Business and Society Program at the Aspen Institute
Bank of America Community Development Bank
Boston College, Center for Corporate Citizenship
The Boston Foundation
Brody Weiser Burns
Callaway Golf Company Foundation
Carol Glazer Consulting, Inc.
Center for Workforce Preparation, U.S. Chamber of Commerce
The Conference Board
The Corporate Citizenship Company
Council on Foundations
Dowling & Associates, Inc.
Ford Foundation
Funders Network on Trade and Globalization
Gill Foundation
Hitachi Foundation
International Youth Foundation
Jobs for the Future
Manpower, Inc.
Laufer Green Isaac
National Center for Family Philanthropy
New Hampshire Charitable Foundation
New Prospect Foundation
Oxfam America
Pfizer Foundation
Public Theater
Rockefeller Foundation
Share Our Strength
Social Venture Partners Denver
Rockefeller Philanthropy Advisors
Tifa Foundation
Yale School of Forestry and Environmental Studies

Underwriting for this guide was provided by the Ford Foundation. For additional guides and other materials in the GrantCraft series, see www.grantcraft.org.

grantcraft

PRACTICAL WISDOM FOR GRANTMAKERS

www.grantcraft.org