The Game Changers: Corporate Foundations in a Changing World

By Cathy Moscardini

As companies face rising public and employee expectations, defining the role they want to play in society has never been more important. For many businesses, this has triggered a rethink on the role of corporate foundations, one in which writing checks is no longer adequate. Instead, foundations are becoming increasingly strategic, drawing on the parent company’s business mission, acumen, assets, and networks to deliver more impactful and targeted social change. This Giving Thoughts brief draws on a survey of foundations in 21 countries to reveal the common characteristics, and impacts, of “Game Changer” foundations leading this potentially transformative shift in corporate philanthropy.
The Changing Nature of Corporate Foundations

For many business leaders, a foundation is the surest route to demonstrate a commitment to society. It provides an arms-length vehicle for creating social change, and a framework of good governance and transparency.

But change is also afoot in corporate foundations. The old model of writing checks is no longer adequate. Instead, many are embracing innovative strategies that harness the innovation, business acumen, and networks of the parent company to create—and measure—transformative social change.

Identified as the Game Changers, these corporate foundations look to maximize long-term social impacts. In applying their resources, expertise, and connections to make a difference, they leverage the relationship with the founding company. For example, they may go beyond providing employee volunteering by developing products that address a social need and deploying trained experts to deliver high-value, scalable programs. Both sides benefit. Companies can create sustainable change. But foundations often provide the practical frameworks: ring-fenced funding; a safe space to innovate; and governance and transparency structures. While corporate foundations must adhere to strict legal independence, active involvement of the parent company leads to better benefits for beneficiaries.

Defining Corporate Foundations

A corporate foundation is a foundation whose primary income is derived in some way from a corporate source. Corporate foundations surveyed for this brief are defined as legally separate entities. These fall into two categories: Independent foundations, which do not typically have input from the parent company aside from funding, and integrated foundations, which typically have strong and numerous links to the parent company. These can include trustees from the business, corporate volunteers and secondments, and links between the foundation and the parent company’s business focus, geography, and strategy.

a Reveal the Foundations, Corporate Citizenship, 2006.
The survey probed how giving approaches adopted by corporate foundations are changing, revealing six key characteristics of effective modern foundations—summarized below. These pioneer foundations seek to harness each characteristic to leverage the relationship with their parent companies in order to deliver the greatest social impact. Together they provide a compelling platform for philanthropic innovation.

**Game Changer Characteristics: At a Glance**

1. **Business acumen**
   - Leveraging the expertise and knowledge of the parent company such as employee skills.

2. **Strategic alignment**
   - Aligning with the parent company’s focus by addressing issues relevant to their industry or geography.

3. **Focus**
   - Targeting programs in a small number of areas rather than trying to tackle everything.

4. **Engagement**
   - Collaborating with external actors in partnerships to advocate change.

5. **Impact measurement**
   - Ensuring that long-term change is measured consistently.

6. **Sustainable financing**
   - Exploring funding options that generate both a financial return and social impact.
Corporate Foundations by Region: Key Findings

North America

- North American corporate foundations lean towards a targeted approach to giving. Two-thirds report that they “work with fixed partner organizations in a small number of focus areas.”
- North American corporate foundations increasingly see the benefits of close strategic alignment with the parent company. Two-thirds agree that a foundation should “harness the business acumen and networks of its parent company to guide foundation strategy.”
- In the innovative field of sustainable finance, half of respondents are either exploring impact investing or have already implemented it.

Europe

- Corporate foundations in Europe have a focused approach to giving, with 90 percent reporting that they work in a small number of program areas.
- The majority of respondents are applying business acumen to create strategic alignment with parent companies. Two-thirds reported that their “current giving strategy is linked to their parent company’s business focus.”
- European foundations take a broad view to understanding their impact, with more than half measuring “the wider social benefit achieved” from their foundation’s activity.

Latin America

- Latin American corporate foundations are leveraging their parent companies’ competences, with two-thirds reporting that a corporate foundation should “direct activity to broad areas that link to a parent company’s industry or expertise.”
- They also look to parent companies to enable their activities. All respondents from the region say they “engage volunteers from their parent company” and two-thirds agree that they “make use of the networks and contacts created by the parent company.”

Asia

- Corporate foundations in Asia appear to be less focused and strategic compared to other regions. Three in four agree that corporate foundations should focus on areas “which are not necessarily related to the parent company’s industry or expertise.”
- Impact measurement by corporate foundations in Asia also lags. Half those surveyed report that they “do not assess the impact of their corporate foundation activity” and only one-quarter report measuring longer-term changes or wider social benefits achieved.
- However, half strongly agree that corporate foundations “should adopt a strategic approach to giving,” highlighting a clear gap between aspiration and reality.
Six Key Characteristics of Game Changer Foundations

1 Business acumen

Game Changers make use of the parent company’s brain trust—its corporate expertise, insights and knowledge—in order to deliver greater social impact. Examples include tapping skilled volunteers, using corporate products and services, and exploiting the networks and contacts created by the parent company.

Products and services Traditionally, using a product or service to deliver foundation programs often took the form of in-kind donations. The survey detects a shift whereby Game Changers also look to adapt and apply their products and business models to address a social need. Two in every five corporate foundations say they use the parent company’s products or services to help deliver programs. Other foundations are acting as incubators to design new products to address a social need. And nearly two-thirds report that they can imagine their foundation developing such a product or service in the future.

Networks Given the often global nature of many companies with corporate foundations, there is a prime opportunity for Game Changers to make use of parent company networks. Approaches include leveraging relationships with peers through industry collaborations, using business platforms to disseminate information and utilizing contacts to create partnerships. More than half of corporate foundations reported making use of parent networks and contacts in this way.

Employees Foundations have long been drawing on employees for volunteering, with 70 percent of survey respondents doing so. The Game Changers go one step further by providing skilled pro bono volunteering to their partners, seconding employees to the foundation and deploying trained staff to deliver foundation programs on the ground.

2 Strategic alignment

Game-changing foundations re-orient the foundation strategy to purposefully align with and complement their parent company. This might be by business area, focal issues, geography or other commercial priorities. Almost three in four (73 percent) corporate foundations surveyed already align their giving strategy with the parent company’s business focus.

In order to align thinking and approaches, these foundations harness the expertise of parent company employees to help drive foundation strategy. Such expertise has a greater impact when key corporate learnings can be shared with the foundation to address target social issues. For example a bank might share the main reasons that people fall into debt with its foundation, and the foundation then develops a program to address these challenges. Or, an agricultural machinery company might share the problems faced by farmers in its markets and the foundation develops a solution, using parent company technology, that may not be commercially viable but has a marked social impact on the farmers.
3 Focus

The third characteristic of the Game Changers is a ruthless focus. Targeting programs in a few thematic areas leads to a higher impact for society as well as the business, by concentrating resources, expertise, and knowledge. A focused foundation program provides direction across all activities and geographies—whether local, national or international—driving a clear, consistent approach and structured delivery.

In recent years, Corporate Citizenship has witnessed many large corporate foundations undertaking strategic reviews which result in scaling back program areas, to those tied to their core strengths. The survey confirmed this trend, with 40 percent of foundations reporting that they direct all efforts into a small number of focus areas.

Some of these foundations respond to requests for support in these targeted areas only. Others do not respond to unsolicited requests at all, working solely with fixed partner organizations that have mutually defined goals in a specific focus area.

Successful long-term partnerships between corporate foundations and these non-governmental organization (NGO) partners requires an upfront and transparent discussion to define shared goals, establish the strengths of each organization, and design a model where both parties have a clear role and understanding of what is required from each. Some examples are provided in Game Changers in Action, page 8.

4 Engagement

Innovation is also increasingly evident in how corporate foundations interact with the wider world. Game Changers go beyond dealing with the consequences of an issue such as poverty or lack of education by advocating for change. By leveraging their knowledge and expertise on specific issues, foundations can push for change in many different ways. Common approaches include forming partnerships, collaborating with delivery partners and local communities, and reaching external audiences through events and thought leadership.

Partnerships A multi-stakeholder approach allows interested parties to share their expertise in developing the most appropriate and impactful solutions to a social challenge. Two in five corporate foundations surveyed work with fixed partner organizations to deliver their programs. Collaborating with an NGO, an academic institution or a cross-industry partnership brings expertise from multiple perspectives to deliver the greatest impact for beneficiaries. Foundations can act as safe spaces where NGOs and other organizations feel more comfortable collaborating with companies due to its independence from the parent company, and accountability.

Community participation Bottom-up approaches to development enable communities to lead the way in tackling the social, cultural, and environmental problems they face and help to create sustainable and long-term impact. The rise of social entrepreneurship is one encouraging development. Another is the adoption by many NGOs of a participatory, community-led approach, which ensures that solutions are owned by and built for local people. Engaging with local communities also breaks down barriers between politics, business, and civil society. The Game Changers support communities by listening to central stakeholder needs, and sharing their expertise to help develop tailored solutions.
Events and thought leadership Foundations that facilitate events and open dialogue between multiple stakeholders can both share expertise and learn from others. Engaging with external audiences in this way can lead to partnerships that deliver impactful solutions. In generating thought leadership, foundations often collaborate with others, and draw on parent company expertise, to shape thinking on how they can best support solutions to global problems.

5 Impact measurement

A vital component of the Game Changers model is to understand and improve the impacts of a foundation’s contributions. Corporate foundations that understand and can demonstrate both their short-term and long-term impact are able to continually refine activity in order to focus on the areas where their expertise, experience, and resources are most effective. In aiming for a high social impact, these foundations must have the tools in place to measure results.

However, our survey highlighted a gap between what corporate foundations aspire to achieve and what they actually deliver when it comes to impact measurement. While most say they aim to achieve a lasting impact through transformative change, many do not yet have processes and methodologies in place to evaluate whether such change is being achieved. Specifically, while 78 percent of respondents said that corporate foundations should measure program impacts only 54 percent were doing so.

Adopting a consistent approach to measuring impact provides the insights to enable foundations to improve management and delivery and inform future strategy and objectives. It is also crucial in strengthening communication and engagement with external audiences, by creating more powerful storytelling.

6 Sustainable financing

Many corporate foundations manage and spend billions of dollars — and some are starting to think about investment as a direct tool for social change. While this remains uncharted territory for most foundations, Game Changers are starting to implement or explore two emerging forms of social investment.

Impact investing This takes the form of equity investment, loans or fixed income investments, funded from the foundation’s capital, that has the primary aim of producing a financial return but also gives weight to social considerations. One in five corporate foundations surveyed say they do this today. Environmental, social, and governance (ESG) investment considerations is a key area of interest, with a quarter of corporate foundations reporting that they are exploring this for the future.

Program finance These are equity investments from the foundation’s capital or income that aim to advance the foundation’s charitable purposes. For example, the foundation might help finance a startup social enterprise in exchange for a stake in the business, or provide an interest-free loan to a community organization. One in seven corporate foundations report providing this type of finance today, and a similar proportion indicated they may do so in the future.
Game Changers in Action

The MasterCard Foundation

The MasterCard Foundation is an independent nonprofit organization committed to reducing poverty in Africa. It was established in 2006 by Mastercard and operates in a separate jurisdiction with share capital from the Mastercard IPO.

**Focus** The Foundation is focused on helping economically disadvantaged people in Africa find opportunities to lift themselves, their families and communities out of poverty. Its three core programs provide targeted support for youth livelihoods (skills training), education and learning, and financial inclusion.

**Engagement** One of the Foundation’s core values is collaboration for impact. Over the last 10 years, it has partnered with more than 110 organizations including financial institutions, civil society organizations, and entrepreneurs to provide access to opportunities for Africa’s most vulnerable. Among these are the Symposium on Financial Inclusion, which encourages banks and other financial service providers in developing countries to focus on the needs and expectations of people living in poverty. Another partner, the Fund for Rural Prosperity, supports entrepreneurs bringing affordable and appropriate financial products and services to rural Africa.

**Impact measurement** Developing and applying a theory of change for each program, the Foundation measures its impact against six objectives, using a combination of mid-term evaluation, final evaluation, impact evaluation, and learning partnerships.

Alibaba Trust

The Alibaba Entrepreneurs Fund is a nonprofit initiative launched in 2015 by the Alibaba Group, China’s leading e-commerce company. It provides support to young entrepreneurs in Hong Kong and Taiwan, helping them to establish a foothold in Hong Kong and Taiwan and make use of the Alibaba platform to scale up their operations across the world.

**Business acumen** Successful entrepreneurs benefit from access to the resources and expertise offered by Alibaba’s ecosystem in e-commerce, logistics, mobile platforms, cloud computing, and financial services.

**Focus** The fund narrowly focuses on helping young entrepreneurs from Hong Kong and Taiwan to start their own businesses by providing investment capital and strategic guidance.

**Strategic alignment** The fund supports entrepreneurs who are building innovative businesses with a unique value proposition, mirroring the company’s startup roots.
Vodafone Foundation
Since 1991, The Vodafone Foundation has been active worldwide through 27 local foundations. Its goal is to connect communities, using Vodafone mobile technology, in ways that improve lives.

**Business acumen** The foundation deploys parent company volunteer engineers to set up donated, portable GSM networks that provide communication support in the immediate aftermath of disasters. The Instant Network program supports critical coordination of rescue and relief.

**Strategic alignment** Each foundation program has an intrinsic link to the company’s core expertise, tailoring mobile technology to address a social need. For example, in Tanzania the Mobilizing Maternal Health program identifies high-risk pregnancies through mobile solutions, and facilitates women’s transport to hospital using Vodafone’s M-Pesa money transfer system.

**Focus** The foundation targets ways it can help overcome key challenges in three defined areas of basic human need (health, education, and disaster relief) through applying Vodafone’s expertise in mobile technology.

**Engagement** The Foundation shares thought leadership by detailing their role in addressing global challenges, and exploring how mobile technology can contribute more broadly to solutions.

The eBay Foundation
Founded in 1998, the eBay Foundation’s vision is to harness the power of inclusive entrepreneurship to create a world where any individual—regardless of geography or circumstance—can fully participate in the global economy. Strategically aligned with the UN Sustainable Development Goals (SDGs), the foundation focuses on innovative and impactful solutions that invest in and encourage local social enterprise.

**Business acumen** As a platform for entrepreneurship, eBay integrates its knowledge and expertise of technological innovation and business inclusion to support entrepreneurs.

**Strategic alignment** As more individuals access markets and become economically independent, eBay helps to facilitate and direct business to its own platform through engagement efforts in the developing world.

**Focus** The eBay Foundation’s thematic focus on business integration and social entrepreneurship directs resources to people, social causes, and communities that develop local businesses and strengthen circular economies. For example, eBay’s partnership with the social enterprise Kolabo helps entrepreneurs in Indonesia bring their businesses online.

**Engagement** eBay employees volunteer their time and expertise to support the Foundation’s focus areas. Examples include mentoring workshops for young adult entrepreneurs and judging apps coded by girls participating in its global STEM competition.
The BMW Foundation

The BMW Foundation brings together leaders from across communities, cultures, and countries to drive social innovation, promote global dialogue, and encourage responsible leadership. The Foundation addresses financial inclusion issues through pro bono and engagement activities, social intrapreneurship, and social entrepreneurship.

**Business acumen** The Foundation is grounded in venture philanthropy—the use of capital as a tool to invest in social reform and impact. Its approach blends non-financial resources, like strategy consulting, organizational capacity building, and involvement of networks, with typical funding approaches, including debt instruments and equity funding.

**Focus** BMW’s programming focuses on financing social enterprises and nonprofit organizations to solve complex social challenges, through vehicles such as its Impact Hub, a global start-up community for social entrepreneurs. Projects integrate corporate funding and social innovation and engagement to address issues including hunger, education, and health quality.

**Engagement** The Foundation aims to foster communication and collaborative thinking among its employees, businesses, and civil society to allow society to benefit from the creativity and diversity resulting from cross-sector engagement. For example, it hosts a pioneering, global peer-to-peer online workshop on how to build markets and adopt tools, products, and practices to solve societal problems around the world.

**Sustainable financing** The BMW Foundation uses most of its funds to finance its own work. Where it utilizes partnerships, it offers financial support and corporate expertise to empower partners to recruit supporters and be effective advocates.
Becoming a Game Changer Foundation: Challenges and Opportunities

Taking a strategic approach to investment can bring many benefits to a corporate foundation, the beneficiaries, and the parent company. However, adapting and advancing new strategies can create challenges. The survey highlighted the following key barriers.

- **A third of respondents identified a lack of funding**—the most common concern identified.

- **Seventeen percent of survey respondents also cited a “lack of buy-in from the parent company”** Foundations in such a position can change mindsets by building a business case for greater alignment in order to win parent company buy-in and the funding required to enable change. Impact measurement is one means to achieve this goal, tracking the effectiveness of foundation activity and investments, while communicating tangible results back to stakeholders.

Perceived or actual conflicts can also exist between a foundation and the parent company’s in-house corporate social responsibility and/or community investment teams. Establishing clear boundaries and setting strategic aims for both teams can help foster trust and reduce overlap or conflict.

- **Twenty-eight percent stated legal impediments as holding back change**

As foundations look to use the expertise, networks, and products of their parent companies, they must do while remaining separate and independent legal entities. Trustees must juggle making decisions with the foundation’s best interests in mind while leveraging relationships with the parent company to maximize societal impact. Legal impediments to the way foundations can spend funds in certain countries may also hinder innovation and growth. For example, in the United States, legislative and procedural requirements must be met before foundations can undertake foreign grant making.

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Conclusion

During 20 years of supporting corporate foundations, Corporate Citizenship has seen a growing trend toward developing a more focused, innovative, game-changing strategy to deliver transformative social impact. For foundations seeking to emulate best practice, this brief offers food for thought. By reviewing existing strategy through the lens of the six characteristics of successful innovation identified, foundations can draw valuable lessons on how to achieve the greatest impact for good. And by aligning their strategy to complement the parent company’s business focus, foundations can leverage the company’s resources, expertise, and connections in ways that benefit both the business and society at large.

Methodology

This brief is based on a 2016 survey by international consultancy Corporate Citizenship, which garnered 118 responses from 21 countries in Asia, Europe, and North America. Of these, 70 responses were from individuals representing corporate foundations. Interviews with several foundations also informed the findings.

Countries served:
- Austria
- Canada
- Chile
- Czech Republic
- France
- Germany
- Ireland
- Italy
- Japan
- Malaysia
- Netherlands
- Portugal
- Philippines
- Republic of Korea
- Singapore
- Slovakia
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States of America
About Corporate Citizenship

Corporate Citizenship is a global business consultancy specializing in sustainability and corporate responsibility. The team uses expert insight and a simplified approach to sustainability to deliver growth and long-term value for business and society. With teams in London, New York, San Francisco, Santiago, Singapore and Melbourne, Corporate Citizenship works with clients on both a local and global level. The organization helps companies and corporate foundations to make the smart choices that will enable them to survive and thrive in an increasingly challenging environment. Corporate Citizenship advises a global client list on a number of areas: strategy, community, environment, supply chain, socio-economic impacts, reporting and assurance. Corporate Citizenship also manages LBG, the global standard for measuring corporate community investment, on behalf of its 220+ corporate and corporate foundation members.

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