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Corporations Expand International Reach Despite Their Limited Resources

More and more, corporations want to support communities around the world. In fact, many multinational companies have expanded the definition of “community” to include locations where they have any business presence — an operating facility, a sourcing relationship, a production site or a significant market interest.

But what is the best way to apply corporate resources to community needs, and what mixture of strategies should be employed?

In 1998, The Consulting Network (TCN) surveyed international giving managers to discern how international corporate giving and community involvement are structured, funded and managed. To update those findings, TCN recently spoke with a few senior-level corporate community involvement managers to hear what is on their minds today.

COMMUNITY AFFAIRS MANAGED MANY WAYS AROUND THE WORLD

International community affairs and giving are managed at the local level in many ways. Company representatives may include local line managers, community affairs field managers, teams of employees or consultants. These representatives often collaborate to identify community issues and craft a corporate response. The Levi Strauss Foundation (LSF) relies on regionally based consultants who report to regional community affairs field managers. Both look for ways to complement local employee involvement activities. “This collaborative and locally-based approach increases the strategic impact of our grantmaking,” said Theresa Fay-Bustillos, vice president of Levi Strauss & Company Worldwide Community Affairs.

As predicted years ago, more

companies have integrated a corporate citizenship perspective into business operations. John Coy, president of TCN, noted that as companies become more global, program concept and design must shift from a charitable contributions model to a corporate responsibility or corporate citizenship model where philanthropy becomes part of the mix. Increasingly, business operations and local programs integrate social and work issues into a more transparent strategy. The challenge to headquarters staff is to manage the overall strategy while providing sufficient latitude for operations and local managers to apply company principles to local needs.

Companies are working harder to make employees feel vested in community involvement activities on a global scale. American Express has initiated the Global Volunteer Action Fund to make small grants to nongovernmental organizations (NGOs) where employees volunteer. Working in partnership with the

Charities Aid Foundation, American Express has awarded \$200,000 to charities worldwide. “Our local public affairs colleagues around the world have done a great job of promoting this program,” said Mary Beth Salerno, president of the American Express Foundation. By working closely with regional managers, “American Express has created a culture of volunteerism. We are no longer just talking about it.” American Express also solicits employee input into foundation grantmaking decisions. Though still a work in progress, the company is working with employee advisory committees to identify grantees in various locations around the world.

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— Skip Rhodes,
ChevronTexaco

For instance, in 2001, American Express implemented two successful pilot projects in India and Brazil. Employees in these locations were given a short list of causes (vetted previously by local public affairs people to ensure that there were credible

local organizations working on the issues) and were asked to select the one that meant the most to them. An employee committee then met with a few organizations working on the chosen causes to review applications and select the organization(s) to receive a grant.

Smaller companies can establish an international program by using resources in innovative and flexible ways. Though still in the early stages of building its international giving and community affairs functions, BD (formerly Becton-Dickinson) works with various company representatives to fund community needs outside of the United States. Representatives include plant managers, employee committees and country managers. The company prides itself on not mandating a certain structure and strives to be very strategic with its limited resources. BD has initiated the Global Health Care Fund to address unique health needs in regions around the world. BD also leverages its moderate resources by forming partnerships, including one with UNICEF to eliminate tetanus and one with the Eli Lilly Company to fund a program addressing diabetes in China.

Building relationships with stakeholders continues to define strategic community involvement. Skip Rhodes, ChevronTexaco manager of Corporate Community Involvement, said, “No business exists in isolation. Chevron-

Texaco is only as strong as the communities around it. That’s why each community investment is designed to put tools in the hands of people, and each reflects the belief that, working as partners, the company and its neighbors can achieve mutual goals for economic, individual and social progress.” ChevronTexaco projects must add value to the community, the NGO and the business. In all cases, stakeholder relationships strongly influence the projects funded.

RESPONDING TO CHALLENGES

Limited resources and dynamic social and economic forces pose challenges to global community involvement managers. Just as NGOs and governments around the world are being called upon to do much more with less, so too are corporations. Managers are facing this challenge in part by reaching out to, learning from and involving others.

Fast-changing circumstances require “best practice” information on a regular basis. “We are always looking for best practices, including how other companies approach this work, how they assess their performance and how they find effective NGOs,” said Rhodes.

For instance, managers often rely on professional information networks to discern how to fund international projects or identify

NGOs in a given region. To assess their own performance, managers are looking to balance company expectations, community impact and the role NGOs can play as partners in helping execute effective community involvement programs, said Coy.

Crafting and sustaining thoughtful partnerships are a must. The paternalistic days of grantor-grantee relationships are fading fast. Companies and other funders increasingly rely on a mixture of NGO partnerships to achieve different goals.

At the core of this approach is the premise that such partnerships must be sustained over time. "You can't turn the relationship on and off," said Priscilla Li, manager, International, Philanthropic Programs, American Express. "Creating a level of trust takes time. And companies need partners that understand the local culture, have good country contacts and can explain the steps to implement." Strategic goals determine what type of NGO partner is needed (in-country, U.S.-based), but strong relationship-building techniques will transform the program goals into successful outcomes.

Non-U.S.-based intermediaries help extend the reach of U.S.-based foundations. LSF has created four international Donor Advised Funds with NGO intermediaries based in England, Japan, France and the Philippines. These funds enable LSF to make

grants more easily in countries where the company has a business presence, but where LSF has no staff. "These NGOs have the in-country relationships we need to identify effective programs," said Fay-Bustillos. "Their knowledge of the NGO sector and local issues offers a real value-add. Our challenge is to learn as much as possible from them."

A strong staff team is key. Several managers cited the importance of recruiting and retaining strong staff teams to implement strategic goals. "You need a dedicated staff at the headquarters level and in the field," said Salerno at American Express. "It helps to have someone on staff who can get on a plane and provide real hands-on help. Since philanthropy is only one aspect of the job for managers in the field, they need this support."

Salerno continued, "Field managers find it useful to have suggested program models and examples of a few projects that fit the guidelines. These managers are great at adapting models to fit their culture, finding the right local partners and determining the best ways to communicate it with others. In turn, we need our regional managers to explain the feasibility of our program ideas within the context of their region."

Coy noted that the role of corporate staff in a global program has shifted toward supporting business. Program managers have

become advisors and communications and information resources for best practices and intra-company activities.

Rhodes cited three key factors at ChevronTexaco that must be in place to implement strategic goals:

- ◆ Understand the community and its needs.
- ◆ Pick effective NGO partners.
- ◆ Work as partners with your neighbors to achieve mutual goals.

Each step must be managed with limited resources, sometimes in locations where little is known about the community. But to define a giving or community involvement strategy, managers first must find creative and effective ways to understand a community .

CONCLUSION

More managers seek to engage multiple levels of the company with the understanding that funding, while important, is only one resource in a social investment portfolio. Managers understand that programs must be responsive, flexible, culturally appropriate and able to change with the times.

Like never before, corporate managers will be expected to impart an understanding of community affairs to their corporate, community and public sector peers in regions around the globe, demanding that managers continue to reach out to and connect with new and ever-changing constituents in a complex world.

ANALYSIS OF INTERNATIONAL CORPORATE GIVING STRUCTURES

<i>Management Structure</i>	<i>Benefits</i>	<i>Challenges</i>
<p><i>Headquarters staff sets policy and works with country managers.</i></p>	<p>Country manager involvement provides relatively high-level support, making it easier to identify strategic funding initiatives within a target country, and provides external visibility opportunities for managers. This level of involvement also helps to promote an internal culture of giving among corporate managers.</p>	<p>It can be difficult to get country managers to focus on community activities, particularly when there is no staff to help support the process. Managing the paperwork associated with the legal and tax issues is sometimes cumbersome and time-consuming. Headquarters staff must facilitate this process as necessary.</p>
<p><i>Public affairs professionals located in the foreign regions manage community giving, usually along with government, media and community relations activities.</i></p> <p>Sometimes staff members are housed within regional marketing, communications or human resource divisions and focus on giving part-time.</p>	<p>Some companies have formed advisory committees of managers with international responsibilities to design companywide funding initiatives.</p> <p>When public affairs staff are well trained, this management structure generally works well. Professionals are available to identify and work on program issues and to represent the company on a regular basis.</p> <p>This structure works particularly well when public affairs managers work closely with in-country line managers.</p>	<p>If giving budgets are located within the foreign subsidiary, managers may elect to cut this activity if they are having trouble meeting financial targets.</p> <p>Headquarters staff must make a concerted effort to train staff.</p> <p>Managing the paperwork associated with the legal and tax issues is sometimes cumbersome and time-consuming. Headquarters staff must facilitate this process as necessary.</p>
<p><i>Headquarters staff sets policy and works with teams of employees to implement the program.</i></p>	<p>When country managers are supportive, this approach helps to develop internal program buy-in at multiple levels. Employee representatives can offer a link to local communities in foreign markets, provide an understanding of local issues and can be ambassadors within the community.</p>	<p>It may take time to develop buy-in to support employee involvement. Headquarters staff must support the employee team approach by providing training as needed. Quality control can be an issue. Managing the paperwork associated with the legal and tax issues can be cumbersome and time-consuming. Headquarters staff must help facilitate this process.</p>

ANALYSIS OF INTERNATIONAL CORPORATE GIVING STRUCTURES

<i>Management Structure</i>	<i>Benefits</i>	<i>Challenges</i>
<p><i>Headquarters staff administers international program.</i></p>	<p>When there is a compelling need for a company to make international grants and no other company representative is available, this approach demonstrates some level of commitment to the community. This approach makes sense when the corporate headquarters supports national or broad-based initiatives, versus local programs. It also works when a company is entering a new market and believes it is important to become involved in the community before commencing operations.</p>	<p>Distance makes it difficult for headquarters staff located in the United States to develop an effective giving program. Some companies have used headquarters staff to initiate an international program by developing an initial giving presence in a country while simultaneously working to develop country manager and/or employee involvement. Significant travel is required, making it difficult to sustain local relationships.</p>
<p><i>Managers of foreign country divisions implement giving program and community relations activities. Headquarters staff has no involvement in the decision-making process.</i></p>	<p>Country managers have an understanding of regional community issues. Country managers also may have the authority to provide cash and noncash support, including products, facilities and management expertise to support community projects.</p>	<p>Giving is not linked to a corporatewide strategy and is generally not reported back. Country managers may not have the training to operate a strategic program. Resources may be scarce, and there may be limited staff available to handle requests.</p>

What Have We Learned from 2001?

By John Coy,
The Consulting Network

For many contributions and community involvement managers, 2001 created a new environment for corporate social responsibility and a host of challenges and opportunities.

First, for many industries, 2001 was a turning point after more

than a decade of prosperity and flush profits, and 2002 profits look to be equally stingy. This means that for most, you will be managing flat, if not reduced, budgets.

The one glimmer of hope in the past year, however, has been an increasing number of companies that realize that what we call community involvement, corporate

citizenship or social responsibility is about more than simply making cash contributions. Increasingly, companies are looking at a range of resources that they can bring to bear on issues, programs and organizations important to their communities, employees, customers and markets. Products, employee volunteers and skills, and company core competencies

and networks provide tremendous leverage to traditional grantmaking and, in many cases, these resources may be as important to the organizations as money.

The other advantage to developing a program that goes beyond the cash grant is the involvement of more people in the enterprise. This helps integrate the function across departments and activities and establishes a greater sense of ownership for what you do.

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But, how do you create a culture and framework that encompasses the broader use of resources? The first step is to conduct an inventory of resources your company has that would be useful and beneficial to your target audience. Next, review every request for a grant from the perspective that writing a check will be your last option for providing support. What else can you do to help this program or organization besides giving a charitable contribution? Soon, you will be thinking beyond the

checkbook.

EMPLOYEES CARE ; THAT'S A FACT

If September 11, 2001, demonstrated anything, it showed that employees are willing and able to mobilize to support causes they care about deeply. Any company that does not encourage, promote, recognize or at least get out of the way of its employees being involved is overlooking one of its greatest community and public affairs resources and missing an opportunity to connect to one of its most valuable assets.

IT'S NOT EASY TO GIVE WISELY

Probably another lesson from September 11 is that it is not easy to give wisely. It takes a thoughtful plan, criteria, assessment of need, communications and timely execution. The issues faced by the many September 11 relief funds validated the old adage: It is an easy matter and in any man's power to give away money, but it is neither an easy matter or in any man's power to decide to whom, for what purpose and how much money is to be given.

BENCHMARK TRENDS

The Consulting Network has tracked corporate giving for six years through a database that includes more than 200

companies. Cash giving is compared to four factors: total revenues, pretax income, net income or profit and employee head count. The six-year average of each factor for all companies in the benchmark group shows the following:

- ◆ For cash giving compared to total revenues, the six-year average is 0.09 percent, and the 2000 benchmark average is 0.10 percent.
- ◆ For cash giving compared to pretax income, the six-year average is 1.02 percent, and the 2000 benchmark average is 1.00 percent.
- ◆ For cash giving compared to net income, the six-year average is 1.50 percent, and the 2000 benchmark average is 1.62 percent.
- ◆ For cash giving compared to per employee figures, the six-year average is \$331 and the 2000 benchmark average is \$397.

Although the percentages vary by industry, these numbers provide a reliable average against which to compare your company's level of investment.

As giving and company financial data are released for last year, we will be building the 2001 database and making comparisons available to all companies that participate by providing information. Benchmarking forms will be distributed in April.