Guides

Setting a corporate giving strategy

Finding the right model and giving vehicle for your corporate philanthropy.

This guide introduces operating structures and vehicles common to corporate philanthropy and offers practical advice for navigating the options.

Key takeaways

- A critical early step in setting your giving strategy is to determine two operating parameters; your giving structure and your giving vehicle.
- When considering your operating parameters, it can be helpful to have a firm understanding of time – both the time horizon along which you intend to give, and the staff time you have available to support your corporate philanthropy.
- With respect to the giving structure, a short or ambiguous time horizon lends itself to internally managed giving. A longer horizon offers the possibility of setting up a separate entity.
- Options for conducting your giving internally include establishing a defined programme, a defined role, or a defined department. Options for managing your philanthropy separately include establishing a corporate foundation, a private foundation, or a collective foundation.
- With respect to giving vehicles, low staff engagement warrants partner-driven vehicles while high staff engagement supports organisation-driven giving.
- Options for partner-driven giving vehicles include giving through intermediaries, advised funding, sponsorship, or mission related investments. Options for organisation-driven vehicles include programme management, grantmaking, giving circles, or venture philanthropy.

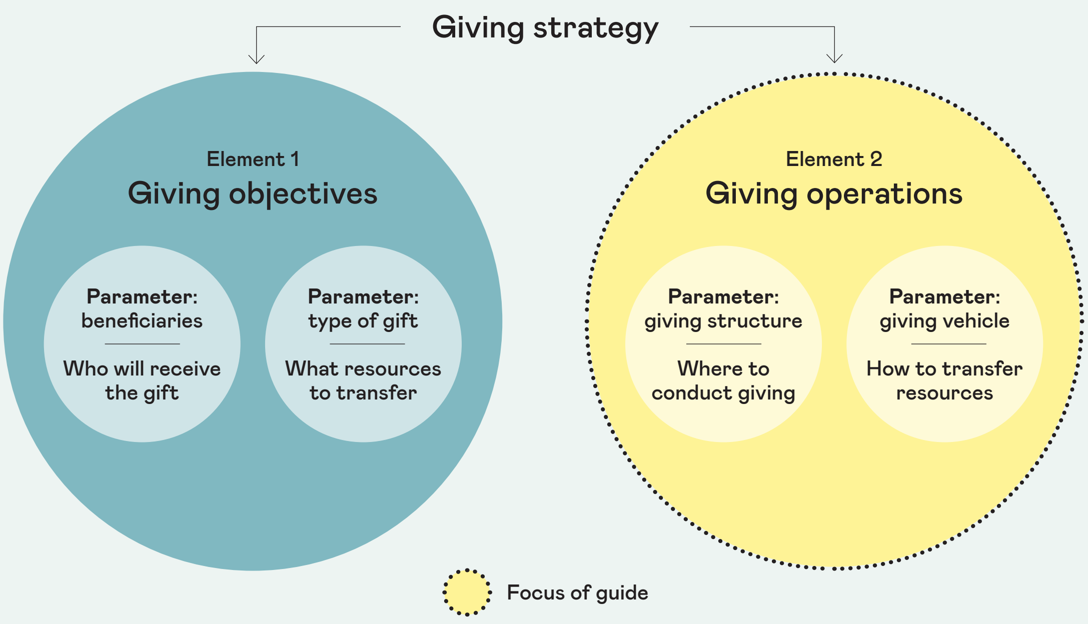
Introduction

A simplified giving strategy typically has two key elements and defines the what, who, where, and how of your initiative. The first element, your giving objectives, is defined by what you plan to give and to whom. The second element, your operations, is defined by where your giving is conducted and what mode you use to make those gifts. **This guide will focus on the operations element of the giving strategy.**

Defining a giving strategy becomes indispensable when your philanthropy becomes more formalised. Whatever the motivation for upgrading your corporate giving – be it community support, leadership directive, customer loyalty, employee engagement or otherwise – the decision to move beyond simple cheque-writing ushers in a host of choices as you set the details of your strategy.

Establishing a giving strategy

Defining the what, who, where and how of your corporate philanthropy.



Fundamentals

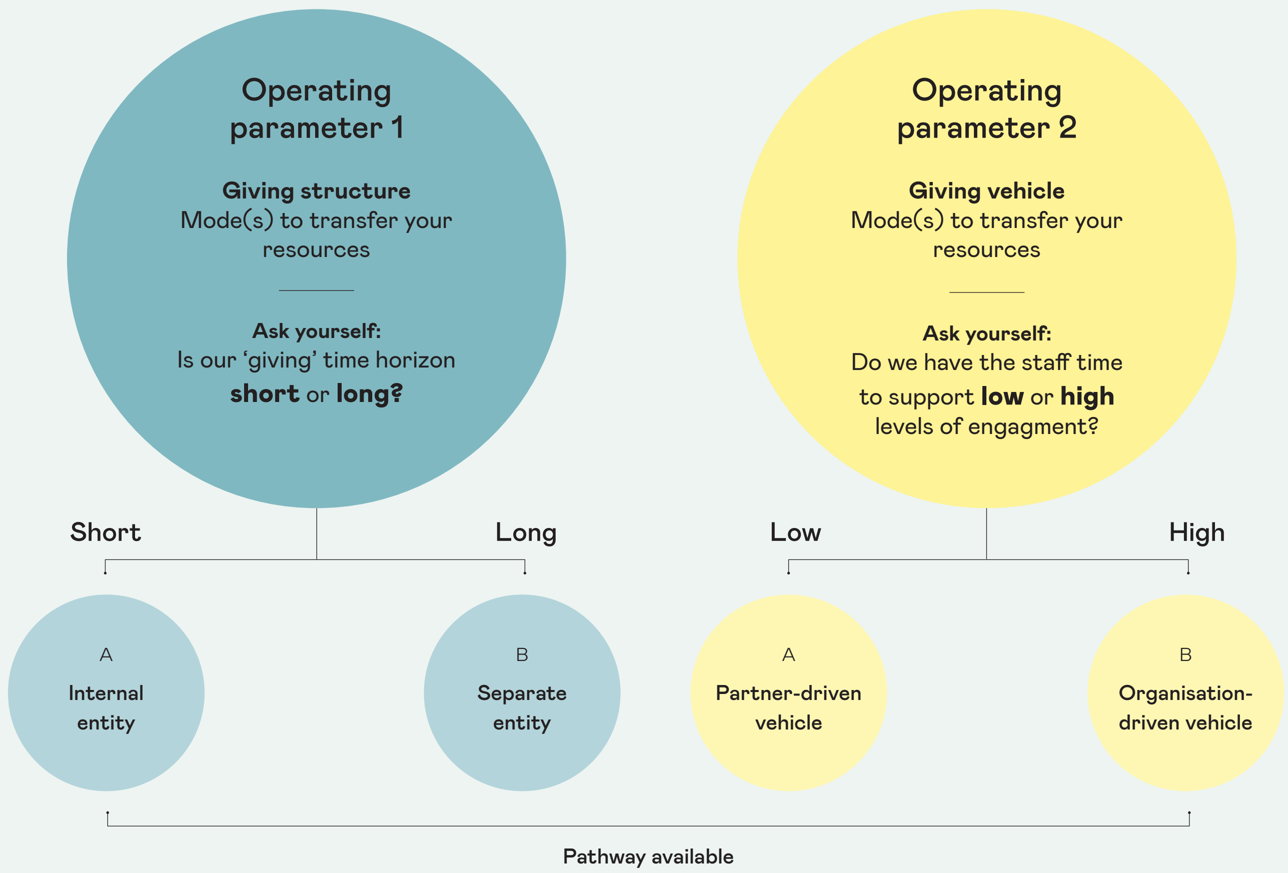
Along with defining your objectives, a critical early step in setting your giving strategy is to determine your two operating parameters.

- The first parameter is your **giving structure.** This establishes how you will conduct your philanthropic operations.
- The second parameter is your **giving vehicle**. This establishes the mode – or modes – you will employ to transfer your resources.

To set each parameter, you must take an honest account of your ambitions and resources to make an informed choice between the pathways available to you and the host of options associated with them. Once these parameters are set, they will form the operating pillars of your strategy from which many other details will flow.

Determining an appropriate pathway

Your chosen pathway under each parameter will present a host of options to navigate.



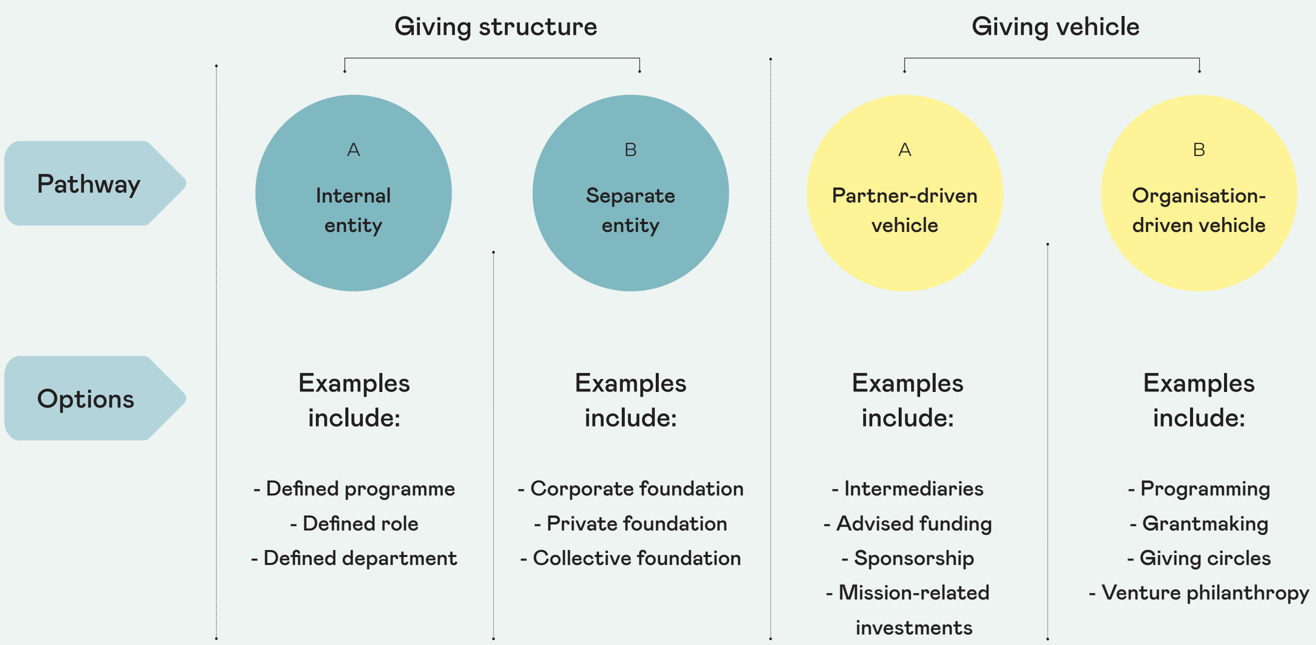
Adopting a giving structure and giving vehicle is a major decision with far-reaching implications. To support an efficient approach to decision-making when there are multiple pathways and options available, **it can be helpful to have a firm understanding of time.** This incorporates both:

- The time horizon along which you intend to give
- The staff time you will make available to engage in corporate philanthropy.[1]

Once these are clear, you can then narrow your focus to the pathway that is best suited for your individual circumstances.

Options for each operating parameter

A closer look at the available pathways and options.



1. There are several factors to consider when choosing a giving structure and giving vehicle. Many of these factors are heavily dependent on the prevailing regulations governing your locality. We've simplified the discussion by focusing on the 'time' factor, which is common to all organisations regardless of jurisdiction.

Operational parameter: giving structure

Determining 'where' to conduct your corporate giving is not about geography. It refers to whether giving operations are hosted from within your existing organisational structure or separately. **Understanding your time horizon is integral to selecting an optimal giving structure pathway because setting up a separate entity can be an intensive process on multiple fronts.** If your timeframe is short or ambiguous, it is prudent to manage your giving internally. If your horizon is long, you can still opt to conduct giving in-house, but you may also be willing to invest in establishing a new legal entity, with the various benefits that offers.

Pathway A: internal entity

Embedding your giving within your existing organisation is a natural starting place for many initiatives. Compared to separate entities, they can be efficient to mobilise and can be routinely funded through your existing annual budgeting process. They do, however, typically generate less public awareness – something to consider if that is a primary goal of your philanthropy.

Options for conducting your giving as an internal entity include:

- **A defined programme**
  Corporate giving often takes root in the staff ranks. Defining a programme for staff participation can support both community and corporate culture objectives. Matching employee donations, organising a fundraiser, offering paid time-off for volunteering, underwriting pro-bono projects supporting community organisations, or even encouraging staff to serve on charity boards are all simple ways to initiate corporate giving in-house.
- **A defined role**
  Beyond intermittent programme participation, select staff members may wear a 'philanthropy hat' as part of their formal job role. Full or part-time responsibilities for managing corporate giving can be assigned to staff within, or across multiple departments. Formalising a role communicates organisational commitment and can contribute to programming success.
- **A defined department**
  Setting up a department dedicated to corporate philanthropy is the most significant commitment in this pathway. If your timeline is short, this department can be a temporary structure that is readily repurposed once the initiative is complete.

Pathway B: separate entity

With a longer time horizon it may make sense to set up your giving operations as a separate entity.[2] Standalone structures can win strong brand awareness but are more strenuous to establish than in-house operations. Implementing funding mechanisms can be particularly challenging as these entities are commonly supported by an endowment or a profit-sharing programme that can be difficult to define or build consensus around and are subject to changing regulations.

Options for conducting your philanthropy separately include:

- **Corporate foundation**
  Setting up a foundation endowed by, and in the name of, your commercial entity can signal to your stakeholders a long-term and significant commitment to corporate giving. A corporate foundation can be of any size and can address any issue area regardless of the relative size and sector-focus of the establishing organisation. Examples of corporate foundations include the Coca-Cola Foundation and Walmart Foundation.
- **Private foundation**
  Organisations with prominent family leadership or involvement may also choose to establish a private foundation in the name of the family instead of that of the firm. For keen philanthropic families, a family foundation can be set up in addition to a corporate foundation. Examples of private foundations include the Bill & Melinda Gates Foundation and Michael & Susan Dell Foundation.
- **Collective foundation**
  Two or more organisations with similar or shared goals can come together to form a collective foundation. While shared decision-making can present challenges, major benefits to collective foundations are the shared administrative expenses and pooled funding. An example of a collective foundation would be the Silicon Valley Foundation.

2. Regulations governing foundation formation differ significantly from country to country and often evolve. As such, this guide omits regulatory considerations. Please refer to legal counsel for up-to-date guidance.

Operational parameter: giving vehicle

Selecting your giving vehicle is the philanthropic equivalent to entering a 'make/buy' analysis or outsourcing decision in business. **Understanding the staff-time you can devote to philanthropy is integral to selecting your giving vehicle pathway because managing corporate gifts can be a significant draw on employee resources.** If your available staff time for engagement is low relative to the size of your giving budget, you should consider partner-driven vehicles that rely heavily on external organisations. If you have the resources for high levels of engagement relative to your budget, you are well placed to drive the process internally if you choose to do so.

Pathway A: partner-driven giving

Inviting partners to support your giving is common and is how many organisations gain their footing in corporate philanthropy. In this low-engagement pathway, success relies on effective communication and healthy relationships with your partners.

Options for partner-led giving vehicles include:

- **Intermediaries**
  Intermediaries supply expert advice on issue areas or identify organisations that can deploy your financial gifts. They can conduct due diligence on your behalf, and in some cases, they can pool your funds with other donors for larger contributions. Increasingly, intermediaries design turnkey corporate giving programmes to meet your aims; tailoring everything from grantee selection to employee engagement. To engage intermediaries, you simply extend a grant to the intermediary, who then redistributes it to selected organisations. Intermediaries are particularly helpful if you are looking to make gifts internationally or in markets where you may have limited understanding of the social and regulatory landscape.
- **Advised funding**
  Advised funding is a helpful mechanism if you have pre-determined the organisation or issue area you would like to support, but want to retain some control over when or how those funds are used. This vehicle allows you to make a gift to a host organisation, usually a large charity or community organisation, which then holds the funds until you make a recommendation on how and when to distribute it. Those funds can be used by the host organisation or be granted to other organisations. This vehicle allows you to make the gift when funds are available, but only employ them when you are comfortable with the plan of action.
- **Sponsorship**
  Sponsorship is a direct gift generally made at the request of the recipient. It is one of the most basic giving vehicles. Financial and goods-in-kind sponsorships require limited engagement, however, sponsorships that include the transfer of skills, professional services, intellectual property, etc, can be more involved.

- **Mission-related investments**
  Mission-related investments (MRIs), while not traditionally recognised as corporate philanthropy, are a low-engagement mechanism that allow your organisation to invest in areas that are socially important to it. With MRIs, you can divert funds from traditional investments towards those that are working on the issues you care about. Examples include investing in firms fighting climate change, technology developers that are improving education in rural schools, health innovators that are designing new technology to combat neglected diseases, and many more.

Pathway B: organisation-driven giving vehicles

With more staff time for engagement, it may be possible to adopt giving vehicles that allow your organisation to drive the philanthropic process. While labour intensive, organisation-driven vehicles offer more control over the giving process and greater contact with beneficiaries as compared to partner-driven models. In this high engagement pathway, organisation-wide commitment and clarity around future cash flow is critical to success.

Options for high-engagement giving vehicles include:

- **Programme management**
  Managing your own programming, while labour and resource intensive, offers the greatest amount of control over your corporate giving. Programme management provides broad interaction with the community, but also increased responsibility for quality execution and exposure to risk should issues arise.
- **Grantmaking**
  Grantmaking can provide excellent control over where and how your funds are utilised, without the burden of designing or delivering programmes. However, executing a successful grant programme is a labour-intensive process that relies heavily on extensive due diligence, grantee support, a good understanding of community organisations, and working with partners.
- **Giving circles**
  Giving circles allow multiple organisations or individuals to come together and pool resources towards a common goal. Like grantmaking, giving circles are highly engaged to carefully select and support their recipients.
- **Venture philanthropy**
  Venture philanthropy allows you to invest in and support an idea or an organisation working for a social purpose. Venture philanthropy invests for impact and not necessarily for profit, but like traditional investing, it requires a tailored financial approach, significant non-financial support, and close monitoring.

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