FSG
REIMAGINING SOCIAL CHANGE

ADVANCING STRATEGY

How to lead change in corporate societal engagement

IN COLLABORATION WITH

CECP
THE CEO FORCE
FOR GOOD

Jordan had been ecstatic after he completed a sparkling new strategy for his company's corporate societal engagement portfolio. As the executive director of his company's corporate foundation and vice president of global corporate responsibility, he had led a structured four-month strategy refresh that developed a more business-aligned, outcomes-focused, and global portfolio. With strategic clarity, widespread internal buy-in, and approval from the foundation board, he felt like a huge weight had been lifted from his shoulders. The hard part was behind him . . . now all he needed to do was implement the recommendations.

A year later, Jordan is struggling to advance key elements of the strategy. Everyone said they agreed with the recommendations, but now every meeting presents a new obstacle. He has approval to reallocate resources to a business-aligned signature initiative, yet legacy habits and traditional mindsets still guide grantmaking. Senior leaders bristle at giving up pet projects. Jordan's team continues to engage with long-time grantees rather than building new and different partnerships to meet the evolving needs of the company's internal and external context. And the initial aspirations for creating deep societal impact and increased business alignment have been diluted every step of the way. Jordan still believes the company can change, but his patience is wearing thin. And he realizes that his strategy may suffer the fate of too many other plans: just gathering dust on a shelf.

Did Jordan miss some critical steps in advancing the new strategy? How have his peers at other companies led change in similar situations?

Jordan's fictitious experience paints an all-too-familiar picture. For foundation and corporate social responsibility (CSR) leaders shifting from an initial strategy to leading change in corporate societal engagement, obstacles arise every step of the way. Advancing strategy requires making a range of additional choices and embracing new expectations for the role.

AT A GLANCE

Implementing a strategy may be even harder than developing it. This learning brief is intended for corporate foundation and CSR leaders who have completed an initial strategy refresh process and who seek effective practices and tools to advance this strategy. In our experience advising more than 100 multinational companies, **effective leaders facilitate structured, data-informed decisions and enable important organizational improvements** to achieve their strategic objectives. Specifically, advancing strategy in corporate societal engagement typically requires leading change in two major areas of the overall portfolio:

DESIGNING A SIGNATURE INITIATIVE

Companies can shift from generosity in philanthropic giving to setting and achieving specific societal impact goals aligned with the business.

Key Practices

- **Lead a structured design process** to develop a business-aligned signature initiative
- **Prioritize specific intervention approaches** by analyzing the landscape of strategic options
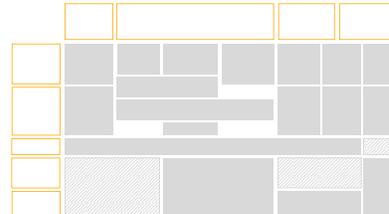- **Engage with partners** in new and different ways to co-create and implement programs

Signature Initiative Design Roadmap
Guides leaders and teams in a structured design process
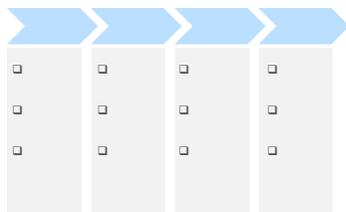
Intervention Matrix
Provides a two-dimensional visual depiction of the potential strategic options to prioritize and pursue

TRANSFORMING LOCAL GIVING

Companies can better meet their business goals by evolving from local giving constrained by headquarters priorities to local giving that reflects local business needs and context.

Key Practices

- **Liberate local giving** to better meet needs of local operations and communities
- **Reallocate local giving** across communities to reflect differentiated geographic priorities
- **Build local team capacity** to develop context-specific investments in their communities

Segmentation Model
*Informs data-driven budget-allocation decisions*

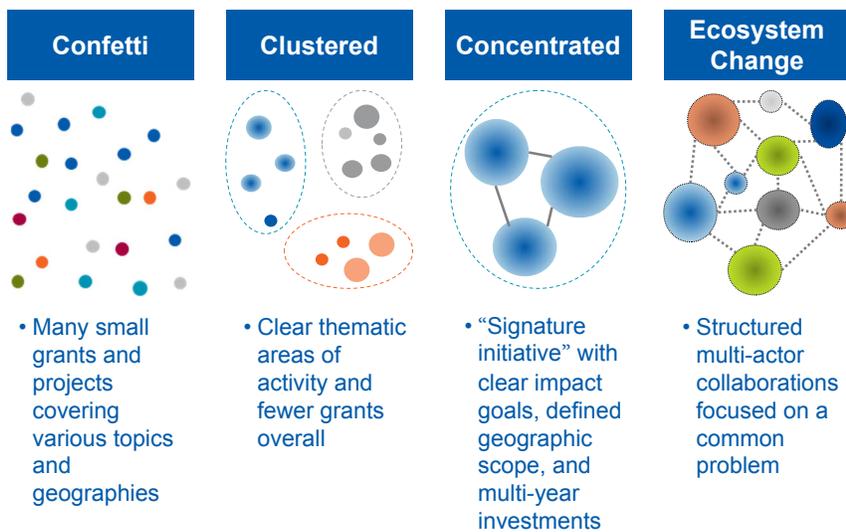| INPUTS		OUTPUTS

Simplifying Strategy (FSG and CECP, 2015) introduced the "Intent Matrix," which depicts a portfolio approach to societal engagement and codifies the range of strategic choices a company can make to meet multiple business motivations while applying various engagement approaches (see below).

INTENT MATRIX: ELI LILLY'S PORTFOLIO APPROACH

Business Motivation (Why?)
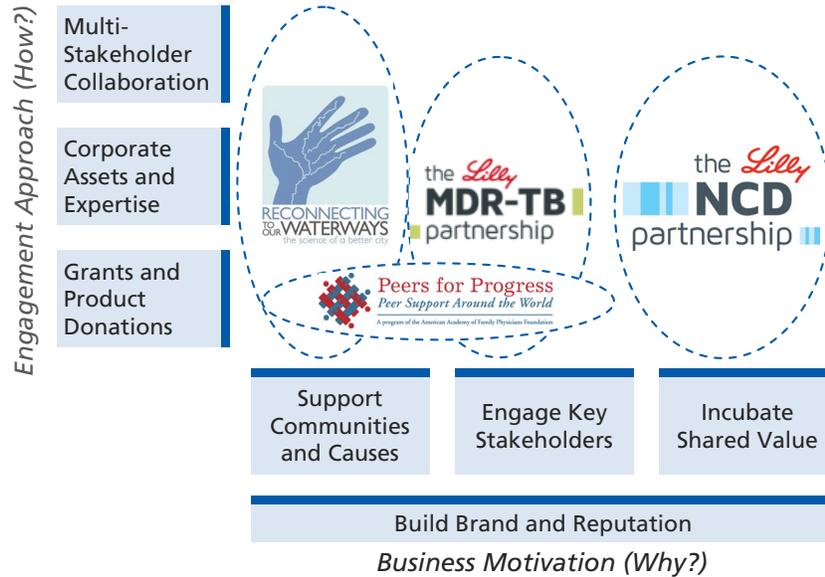
Simplifying Strategy also introduced "Impact Models" to codify the different ways companies engage in societal issues. Companies typically employ an intentional portfolio approach that includes multiple impact models to meet different objectives (see below).

IMPACT MODELS

Confetti	Clustered	Concentrated	Ecosystem Change
• Many small grants and projects covering various topics and geographies	• Clear thematic areas of activity and fewer grants overall	• "Signature initiative" with clear impact goals, defined geographic scope, and multi-year investments	• Structured multi-actor collaborations focused on a common problem

For more information, see *Simplifying Strategy* at **www.fsg.org**.

Realities of Advancing Strategy

Any corporate foundation or CSR leader who has attempted to shift from an initial strategy to leading change has experienced implementation challenges. Obstacles that can slow or dilute progress include additional strategic choices, legacy expectations, insufficient capacity, and organizational inertia. These challenges fit a common narrative with familiar patterns.

Typically, a corporate foundation or CSR team will undertake a strategy refresh that assesses the overall corporate societal engagement portfolio and identifies ways to become more focused, business-aligned, and outcomes-oriented.[1] The result of a strategy refresh process regularly includes selection of a thematic focus for a signature initiative as well as overall portfolio reallocation decisions. These choices are typically packaged into a fresh strategic framework depicting a company's cohesive portfolio.

The process described above is an excellent starting point for advancing a company's societal engagement efforts. However, it is only the starting point—it is the initial roadmap for the transformation journey that lies ahead. In our experience, what separates more successful corporate societal engagement portfolios from less successful ones is how effectively leaders can guide their companies through this ongoing transformation process. Advancing strategy requires CSR and foundation leaders to guide structured, data-informed decision making and make organizational improvements to ensure achievement of desired business and societal objectives.

Who Should Read this Guide

This learning brief is intended for corporate foundation and CSR leaders who have completed an initial strategy process and who seek guidance on advancing this strategy within their companies. Specifically, we assume that readers of this guide have chosen to shift resources toward a dedicated signature initiative with an identified thematic focus, typically more business-aligned and outcomes-oriented. Additionally, readers may also be exploring ways to refine and improve their local giving practices.

The following learning brief provides guidance on two key next steps in advancing corporate societal engagement strategy—designing a signature initiative and transforming local giving. It offers advice on key practices and tools as well as examples of leading companies who have demonstrated success.

For foundation and CSR leaders who are just beginning to embark on a strategy development process, please refer to the precursor to this learning brief, *Simplifying Strategy*, from which the concepts are referenced throughout this paper (see "Recap from *Simplifying Strategy*" on page 4).

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1. In this learning brief, we use the term "corporate societal engagement" to describe a variety of modes in which corporations contribute resources to society, including aspects of corporate philanthropy, CSR, employee volunteering, corporate citizenship, incubating shared value, and making other resources available such as products, brand, and voice. This learning brief does not cover a comprehensive spectrum of corporate social responsibility or sustainability activities, which often also include compliance, footprint management, and broad stakeholder engagement.

Developing a successful signature initiative is one of the most important ways to advance a corporate societal engagement strategy. A signature initiative applies a concentrated Impact Model to achieve pre-defined societal impact goals in one or several specified geographies. The benefits include an improved ability to achieve, measure, and communicate results as well as an increased potential return on investment for society and the business. Signature initiatives typically constitute grant commitments, while also leveraging a company's assets such as skills-based volunteering, customer or supplier relationships, and corporate voice. And often these efforts will include partnerships with multiple organizations working toward similar objectives.

However, legacy expectations tied to traditional grantmaking approaches can often undermine efforts to design signature initiatives. With a clustered Impact Model, the team's primary function is philanthropic giving. Grant applications, internal approval processes, and quarterly grant cycles are geared toward efficiently processing a range of grants to nonprofits that run programs aligned to the select giving areas. The team focuses on selecting high-quality nonprofits and then ensures that the funds are spent according to the grant parameters. This is a tried-and-true corporate philanthropy model that has persisted for years and often decades at many companies.

Designing a signature initiative, however, suggests a paradigm shift in expectations. Leaders must change their mental model from generosity in philanthropic giving to setting and achieving specific societal impact goals.

Lead a Structured Design Process

A well-designed signature initiative aligns with the company's priorities and reflects societal needs and context. To achieve these dual objectives, an up-front commitment of time and resources is required to lead and manage a structured design process. As outlined in the Signature Initiative Design Roadmap (see Tool 1 on page 7), this process typically includes leading four distinct steps: align with internal priorities, understand the external context, design the program strategy, and develop the implementation plan.

In our experience, while foundation or CSR teams typically have conducted one or several of these steps in past efforts, designing and executing a signature initiative typically requires expanding the team's capabilities beyond what traditional corporate grantmaking requires. If seeking to increase alignment with business priorities, then the team members shaping that work will be most effective if they have business fluency and a nuanced understanding of the commercial dynamics of the company. For example, engaging with the head of a business group to discuss commercial priorities will be a markedly different conversation than engaging with a nonprofit leader about social impact objectives.

Similarly, teams can build their own capacity and knowledge base in the relevant societal issues so they can make better investment decisions and identify more effective on-the-ground partners for the signature initiative. This level of knowledge typically surpasses the degree of understanding and context that one garners when managing a traditional corporate giving portfolio.

TOOL 1: SIGNATURE INITIATIVE DESIGN ROADMAP

PURPOSE

The purpose of the Signature Initiative Design Roadmap (see Figure 1 on page 8) is to guide leaders and teams in a **structured, multistep design process** that incorporates both internal and external contexts to develop and implement a robust initiative.

WHEN TO USE

The Signature Initiative Design Roadmap is useful once the team has completed the process of identifying the thematic focus of a signature initiative and needs to **identify the specific goals, beneficiaries, activities, geographic focus, and partners** to implement that effort. The tool is designed to provide a visualization of the overall steps and activities for leaders to undertake.
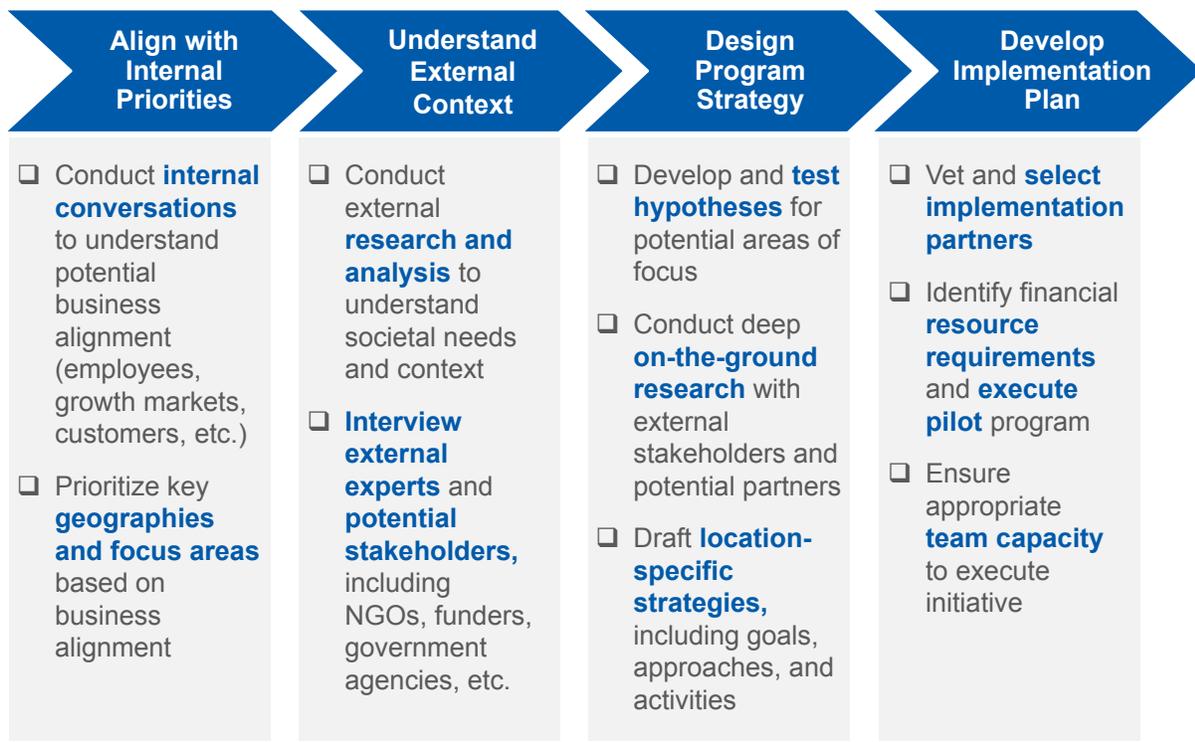
HOW TO USE

Using the roadmap includes four key steps:

- **Align with internal priorities** | The initial step is to analyze and understand the internal company dynamics and business priorities that could exert influence on or benefit from the signature initiative. Aligning with internal priorities goes beyond public relations or stakeholder reputation considerations and could include shared value opportunities such as accessibility of quality raw materials, attraction of talent, or connections to key customers and markets.

- **Understand external context** | The second step entails exploration of the external context for the societal problem or target communities to be addressed, often in multiple priority geographies. This requires focused time and commitment to get beyond surface-level understanding of the relevant needs. This typically includes combining primary research (interviews and focus groups) with secondary research (Internet research and literature reviews). With humility and respect for the decades of experience key actors, community leaders, and technical experts already possess, companies should operate in "listening mode" before being in "action mode." Such exploration requires investigating the nature of the problem, the local context and root causes, past successes and failures, existing partners, and potential opportunities to intervene. Deep understanding of societal needs and people affected by specific challenges can come by incorporating an equity and inclusion lens to understand barriers within the broader context, and employing human-centered design principles. Such insights will guide the development of specific goals and desired societal outcomes, which, in turn, can help bound and shape the strategies and activities.

- **Design program strategy** | The third step includes analyzing a range of intervention choices (see Tool 2 on page 9) and developing the goals, approaches, and activities.

- **Develop implementation plan** | The last step includes identifying implementation partners (see Figure 3 on page 11) and securing sufficient financial and team capacity to launch the initiative.

FIGURE 1. SIGNATURE INITIATIVE DESIGN ROADMAP

Align with Internal Priorities	Understand External Context	Design Program Strategy	Develop Implementation Plan
❑ Conduct **internal conversations** to understand potential business alignment (employees, growth markets, customers, etc.) ❑ Prioritize key **geographies and focus areas** based on business alignment	❑ Conduct external **research and analysis** to understand societal needs and context ❑ **Interview external experts** and **potential stakeholders,** including NGOs, funders, government agencies, etc.	❑ Develop and **test hypotheses** for potential areas of focus ❑ Conduct deep **on-the-ground research** with external stakeholders and potential partners ❑ Draft **location-specific strategies,** including goals, approaches, and activities	❑ Vet and **select implementation partners** ❑ Identify financial **resource requirements** and **execute pilot** program ❑ Ensure appropriate **team capacity** to execute initiative

For example, the **GE Foundation's** recently developed health-focused effort in Boston included a structured signature initiative design process. As GE was planning the relocation of its corporate headquarters to Boston in 2016, the GE Foundation made a five-year, $50 million philanthropic commitment to support education, health, and workforce development in the local community. To develop its health-focused signature initiative, the GE Foundation spearheaded a four-month design process that included a robust landscape and needs assessment, input from over 150 healthcare leaders and professionals, a locally formed advisory board, and an iterative strategy process that ensured a locally relevant, patient-centric program. The GE Foundation's health program leaders spent considerable time meeting with local experts and stakeholders to build knowledge and relationships critical to the success of the foundation's investments. The GE Foundation's initiative initially will address the addiction and opioid use disorder crisis in a way that leverages GE's assets to advance training, innovation, data, and systems improvement.

> "*It was invaluable for the GE Foundation team to invest significant time getting to know the Boston community during our design process. Our engagement with local stakeholders and partners enhanced our understanding of how the GE Foundation can best collaborate with existing actors and deeply influenced our ultimate program design choices focused on improving patient outcomes.*"
>
> — Jennifer Edwards, Director, Developing Health US, GE Foundation

Prioritize Intervention Approaches

A key step in signature initiative design is sifting through the landscape of potential intervention options to identify prioritized goals and approaches. Any identified issue area (e.g., education, community health, water access, etc.) or target population (e.g., rural farmworkers, adolescent girls, immigrant populations, etc.) presents a range of potential options for how the company can intervene. For example, education options include pipeline segments such as early care, elementary, secondary, or post-secondary as well as other education dimensions such as curriculum development, teacher quality, school leadership, standards, and technology. These options could also include different potential interventions, e.g., advocacy, research, data, awareness campaigns, or capacity building. Additionally, options could include determining the geographic focus area(s) and how the company can leverage its assets beyond philanthropic capital.

Sorting through this myriad of program possibilities can be daunting for leaders and teams. In our work with clients, we have found the Intervention Matrix (see Tool 2 below) to be a useful tool to help organize and facilitate structured decision making.

TOOL 2: INTERVENTION MATRIX

PURPOSE	The purpose of the Intervention Matrix is to increase understanding of **the full picture of the landscape of choices** that could be made. The Intervention Matrix organizes the range of research insights into a **two-dimensional visual depiction** of the potential strategic options to prioritize and pursue (see Figure 2 below for an Intervention Matrix focused on road safety).
WHEN TO USE	The Intervention Matrix is a **useful tool for synthesizing and prioritizing** a large amount of information and data available on a range of issues and/or population segments. The tool is designed to provide a structured visualization of these choices to help organize and facilitate strategic decisions.
HOW TO USE	Using the matrix entails identifying the specific dimensions and plotting potential opportunities: • **Determine the sub-issue or target population categories** | The columns of the matrix divide the overall issue or target community into several more specific categories. This is the "what" of the potential interventions. • **Determine the intervention categories** | The rows of the matrix then depict different potential intervention categories, e.g., advocacy, data collection, innovation, capacity building, etc. These categories represent the "how" of the potential interventions. • **Plot the range of potential opportunities** | Each "cell" of the matrix can then be populated with a customized intervention option at the intersection of the sub-issue or population category and the relevant intervention category. Of course, no company would be able to take on all of the potential opportunities reflected in such a matrix—the tool is meant to codify and display the range of choices from which the team can start to narrow to one or several specific interventions to pursue.

When **AB InBev** was building a new global signature initiative focused on addressing road safety, it faced a wide range of potential options. Building a customized Intervention Matrix (see Figure 2 below) enabled a structured understanding of the different components of this opportunity area, including safer roads and vehicles, safer driving, and safer systems. This matrix served as a critical tool of the initiative design process, providing an easy one-page depiction of the landscape of choices and serving as a useful communications tool to external stakeholders as well as for internal senior leadership. Among other efforts, this design process resulted in AB InBev co-developing the "Together for Safer Roads" initiative, a private-sector global road safety coalition that now includes over a dozen multinational companies representing leaders in a range of industries.

FIGURE 2. INTERVENTION MATRIX IN ACTION

Potential interventions	Safer Roads & Vehicles		Safer Driving		Safer Systems		
	Roads	Vehicles	Prevent accidents	Mitigate harm	Enforcement	Response	Alternatives
Advocate for policies that promote road safety	**Safe road design** (e.g., sidewalks, guard rails, bike lanes, lighting)	**Safe vehicle design** (e.g., airbags)	**Rules of the road** (e.g., drink driving, speeding, texting)	**Helmet, seatbelt, and child restraint laws**	**Enforcement capacity** and **penalties** for road violations	**Safety response capacity** (systems, funding, etc.)	**Access** to public transit, rideshares, etc.
			Interlocks (e.g., advance passive technology, advocate for interlocks for repeat offenders)				
Promote technology innovations & solutions	**Road safety technology** (e.g., traffic cameras, light sensors, traffic monitoring)	**Intelligent Transportation Systems (ITS) technology** (e.g., connected vehicle/mobility tech or apps focused on road safety)			**Technology for enforcement** (e.g., sensors, radar, breathalyzer donations)	Road safety response technologies (e.g., 9-1-1)	**Technology to support expanded ridership**
		Personal breathalyzers					
Support improved **data collection**	**Collection of data on road conditions, road safety indicators, traffic accidents, etc.**						N/A
Change behavior through **awareness campaigns**	N/A		**Awareness and adoption of safe driving practices** (e.g., through awareness campaigns, drivers education)		N/A		**Awareness of and use of public transit**
Change behavior through **education and training**					**Awareness and adoption of best practices in enforcement and response**		

Partner in New Ways

Broadening the nature and extent of partner engagement is another critical element of designing an effective signature initiative. In our experience, inertia of legacy expectations can result in engaging with partners in ways similar to traditional philanthropic giving approaches. Grantmaking staff may default to looking to fund a few national and/or local nonprofits that have thematic alignment with the signature initiative topic rather than setting goals and finding the right mix of partners to help achieve these goals.

Leaders and teams can build upon their grants management skills to become stewards of robust, collaborative external partnerships. This entails changing how companies engage with grantees overall so they are treated as true partners, not vendors. It entails co-creating programs with external organizations by participating in learning journeys or hosting experts at generative learning labs to help inform and guide program design. And it implies identifying and partnering with the right grantees based on the goals and intended outcomes they can collaboratively deliver. Lastly, partnering in new ways suggests reducing grantee reporting requirements that are superfluous and don't directly inform the strategy or improve the partner's ability to achieve desired results.

The **SAP** North America CSR team incorporated an authentic partnership development approach in developing its signature initiative focused on creating pathways to technology careers. It initially identified the opportunity to develop a customized "Business Technology High School" in New York City and then co-created this innovative initiative with its partners, who ultimately included the NYC Department of Education, the City University of New York, and the Community College of New York. This multi-stakeholder partnership provides students the opportunity to earn both a high school diploma and an associate's degree in a discipline related to business technology. After this initial launch in 2014 (from which the students will graduate in 2020), SAP went on to launch similar efforts in Vancouver, Boston, and Oakland—all high-priority locations aligned with SAP's hiring needs.

FIGURE 3. PARTNERING APPROACHES AND PARTNER SELECTION CRITERIA

PARTNERING APPROACHES	
Typical signature initiative portfolios include a **range of partnering approaches**	• **Time-bound pilot funding** to test new interventions • **Multiyear, programmatic funding** to nonprofit organizations that bring program or population-specific expertise • **Research and field-building activities** to demonstrate effective models and catalyze additional funding • **Capacity-building** support that leverages a company's internal assets or expertise to advance an individual organization's goals • **Convening and coalition building** that bring together multiple organizations with common or mutually reinforcing activities
PARTNER SELECTION CRITERIA	
Customized **partner selection criteria** can ensure proper due diligence and maximize potential results	• **Goal alignment:** the extent to which the organization's mission and experience are consistent with the initiative's objectives • **Program and organizational capacity:** the organization, leadership, and staff's capacity and experience (e.g., ability to scale, measurement and evaluation, communication) • **Credibility and reputation:** the extent to which the organization will help increase the company's ability to effectively engage in the field

Effective partnership development requires identifying the desired partnering approach and having clear partner selection criteria. Signature initiatives can employ a range of partnership approaches including pilot funding, program funding, research, capacity building, and coalition building (see Figure 3 above). Additionally, in our experience it helps to codify in advance a customized set of partnership selection criteria that can be applied consistently during the partner selection process.[2] Essentially a "due diligence" activity, understanding different dimensions of potential partners is imperative for successfully delivering on a company's societal engagement objectives. These criteria include dimensions such as goal alignment, program and organizational capacity, and credibility and reputation (see Figure 3 above). Each of these dimensions can be informed by secondary research (e.g., reviewing reports and publicly available information) as well as through direct engagement with the partners to explore mutual fit.

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2. In addition to taking a structured approach to partner selection, effective foundation and CSR teams can consider how to position themselves to be better partners to external organizations. Consider the *Stanford Social Innovation Review* article "Shifting Philanthropy from Charity to Justice" by Dorian O. Burton and Brian C.B. Barnes, which provides a starting list of learning questions to guide a team in determining readiness for external partnership.

Partnering in new ways also requires the team to have program management capabilities to lead multifaceted programs and partnerships versus primarily focusing on grantee relations and grants management. This enhanced stewardship role includes increasing expertise in relationship building, project management, and an adaptive leadership style that can respond to the emergent nature of social-change work. Lastly, to track progress toward achieving the predefined goals, the team can expand beyond measuring inputs and outputs (e.g., dollars expended, trainings conducted) to track and evaluate business and societal impact over time.

While moving from generosity in philanthropic giving to setting and achieving specific societal impact goals represents a paradigm shift in how foundation and CSR teams typically operate, time and again we have seen leaders and teams succeed by combining intentionality in the design process, investments in team capacity, and an iterative, adaptive mindset to ensure achievement of their important societal and business-impact objectives.

Executive and Senior Leader Buy-In: A Critical Ingredient to Advancing Strategy

Ongoing executive support for a societal engagement strategy is a critical factor for advancing strategy. While foundation and CSR leaders universally understand the importance of this critical ingredient to advancing strategy, success requires considering this to be a core part of one's role as a leader and investing sufficient time and energy to influence senior executives on an ongoing basis. Three key practices to consider:

- **Authentic inquiry:** Foundation and CSR leaders should not assume they know what executives are thinking about the company's societal engagement work—they should ask them. An important activity is going on a "listening tour" to hear one-on-one from executives about their beliefs and assumptions, which will help shape the future vision for the work.

- **Education and engagement:** Most commercial executives are not experts in the function of philanthropy or CSR, nor in how to address societal issues. This represents an opportunity to educate and influence them through benchmarking effective practices, outlining areas of alignment with business priorities, and engaging executives in interactive workshops.

- **Ongoing communication:** Providing executives regular updates on priorities and progress can further enhance executive support. This includes typical approaches of one-on-on socialization of evolving ideas and recommendations as well as intentional check-ins and communication once efforts are being implemented.

As companies seek increased business alignment and societal outcomes in their corporate societal engagement, local giving represents a key opportunity for improvement. Companies' local giving portfolios typically include a large volume of small contributions allocated across multiple operating communities.[3] In our experience, local giving is an often-overlooked area of the foundation or CSR portfolio, representing decades-old decisions and legacy assumptions about the role of the company in a given community. Despite having large overall budgets, local giving strategies generally deliver neither measurable societal impact nor identifiable business benefits, due to the explicit design of these grants. Additionally, processing the large volume of local grants can unduly burden company leadership and staff with significant administrative responsibilities.

Given these inherent challenges with local giving, we recommend companies reduce the overall size of their local giving portfolios (to free up more resources and capacity for implementing higher impact signature initiative efforts) and realign local giving priorities to meet more clearly defined objectives.

Liberate Local Giving

Opportunities exist to significantly shift how companies support local communities by liberating their local giving guidelines. Liberating local giving implies reducing the degree of centralized control over the thematic focus of local giving. Currently, the vast majority of companies support local giving portfolios that include grantees across several centrally defined societal issues (e.g., education, environment, economic vitality) in a subset of operating communities. The giving boundaries are typically determined by headquarters-based staff and executed by volunteer teams in local operating communities with limited connection to either the company's business objectives or the community's needs. In theory, narrowing the local giving guidelines makes sense, as companies are trying to ensure that their finite dollars are all directed toward a focused agenda to ensure the greatest societal impact. However, in practice, strictly defined centralized giving fosters thematic-giving umbrellas under which a range of different programs can be supported, inhibiting an ability to focus on achieving measurable outcomes.

Liberated local giving guidelines can contribute to the important business objectives of generating community goodwill and improving a company's reputation in its local community. It can be an important contributing factor to achieving broader business objectives, e.g., recruiting and retaining talent, engaging local employees in the company's purpose, improving customers' perceptions, and preserving positive government relations. In our experience, when company leadership acknowledges community goodwill as a valid motivation of local giving, their local teams will be better able to respond in a way that is truly tailored to the community and the company's local needs.

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3. In this learning brief, "local giving" refers to the portion of foundation or CSR portfolios that awards a large volume of small grants to a range of community organizations and local chapters of national nonprofit organizations. Generally occurring in companies' operating or sales communities, local giving typically employs confetti or clustered Impact Models. See page 4 for a brief description of the Impact Models.

For example, **Walmart** has put in place giving guidelines and a grantmaking process that enable the company to respond to priority community needs and make context-relevant grants. With a belief that local knowledge can play a critical role in meeting local needs, Walmart's highly flexible community grants program exists within the broader portfolio alongside its more focused, goals-oriented signature initiatives. Within Walmart's local giving portfolio, which includes over $30 million and 40,000 grants annually, the company has created the flexibility to be truly responsive to local needs. While the community grant guidelines identify four broad areas of focus, it openly grants to any program that is "geared toward strengthening the local communities." As a result, Walmart can be incredibly agile to adapt to meet local needs, integrating community input in meaningful ways. This local giving model is essential for Walmart to be seen as being truly supportive of its local communities throughout its geographically diverse footprint of retail and distribution operations.

"With the company's growing global footprint, the Walmart Foundation remains deeply committed to supporting the diversity of needs across all our communities. We recognize that our local teams are best-positioned to work with community partners to decide what's important for the community, and so we've created flexibility in our grantmaking by empowering local staff to be truly responsive to local needs."

— Gayatri Agnew, Director of Career Development, Walmart Foundation

Building community goodwill, however, does not preclude companies from taking an authentic, context-specific approach to local giving. What's important is not just to acknowledge the intent behind local giving portfolios, but also to use that clear intent as a filter for creating enduring community goodwill. Done well, companies that forge trusting community partnerships, make multiyear commitments to address high-priority community needs, and demonstrate visible commitment to community improvement have a higher likelihood of achieving enduring goodwill than those companies that default to ad hoc, inauthentic, or purely transactional efforts in the community.

From a measurement perspective, companies should resist the temptation to aggregate impact across this portion of the portfolio; rather, they should focus their finite measurement time and resources toward evaluating the impact of goal-oriented signature initiative investments. All too often, we've observed foundation and CSR leaders attempting to "roll up" the impact of local giving portfolios, searching for a unifying theme or impact measure that indicates a greater contribution to a societal improvement than is realistic with this giving approach.
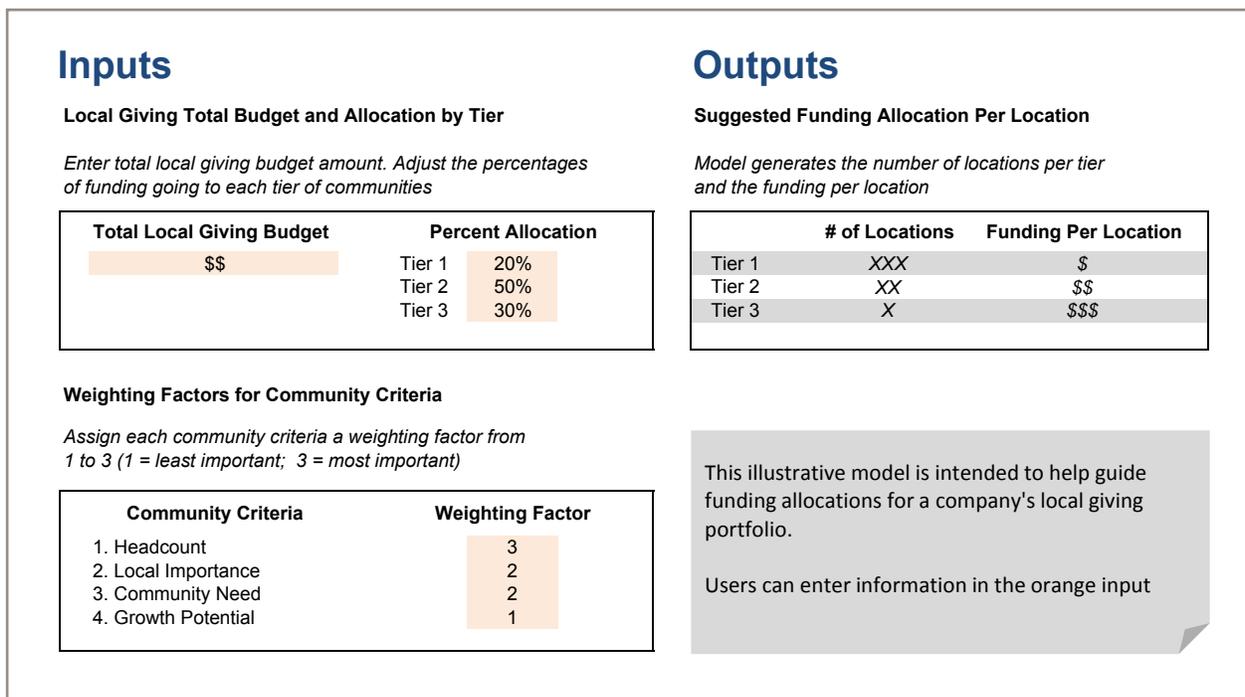
Making the choice not to measure local giving does not absolve companies from remaining accountable for tracking how resources are allocated. Foundation and CSR leaders can consider tracking select outputs and/or anecdotal stories of their contribution (e.g., the number and diversity of nonprofits reached). At the same time, if the goal is to increase efficiency, teams can also track process indicators (e.g., number of hours spent processing grants and number of repeat grantees).

Reallocate Resources

Transforming local giving also includes applying a structured and data-driven process to allocate finite resources among different communities around the world. In our experience with clients, location-by-location budgets are typically driven by legacy allocations that predate the current foundation or CSR team and are not underpinned by any explicitly understood criteria. As a result, inertia compels teams to continue allocating the same amount to each community every year, unintentionally employing the "DILLY" (do-it-like-last-year) method as a strategy. Often local giving portfolios skew disproportionately to the headquarters country versus international giving, regardless of the company's global footprint. And, the relative allocation across communities often defaults to legacy decisions or relationships instead of business-aligned priorities.

FIGURE 4. LOCAL GIVING SEGMENTATION MODEL

Inputs

Local Giving Total Budget and Allocation by Tier

Enter total local giving budget amount. Adjust the percentages of funding going to each tier of communities

Total Local Giving Budget	Percent Allocation	
$$	Tier 1	20%
	Tier 2	50%
	Tier 3	30%

Weighting Factors for Community Criteria

Assign each community criteria a weighting factor from 1 to 3 (1 = least important; 3 = most important)

Community Criteria	Weighting Factor
1. Headcount	3
2. Local Importance	2
3. Community Need	2
4. Growth Potential	1

Outputs

Suggested Funding Allocation Per Location

Model generates the number of locations per tier and the funding per location

	# of Locations	Funding Per Location
Tier 1	XXX	$
Tier 2	XX	$$
Tier 3	X	$$$

This illustrative model is intended to help guide funding allocations for a company's local giving portfolio.

Users can enter information in the orange input

Companies have two key choices to make for local giving budgets: 1) Determine the total amount of local giving relative to the overall portfolio; and 2) Allocate local giving across communities. First, with increased focus on signature initiatives and greater strategic clarity on local giving, most companies reduce the total portion of funding allocated to local giving, often shifting from over half of the overall portfolio going to local giving to less than 30% going to local giving. While companies will reduce their overall contribution to local giving, many companies maintain a significant presence in headquarters communities by being responsive to the priorities of that local community or implementing a local signature initiative.

TOOL 3: LOCAL GIVING SEGMENTATION MODEL

PURPOSE	The purpose of the Local Giving Segmentation Model (see Figure 4 on page 15) is to make explicit the dimensions of choice that **inform budget allocations** and determine a **relative prioritization of communities.**
WHEN TO USE	Once foundation or CSR leaders have decided what proportion of the overall budget is allocated to local giving, the Local Giving Segmentation Model can be used as a way of **determining location-specific budgets.** In addition to using the model as a decision-making tool, leaders can use it to **create internal buy-in and alignment on the underlying rationale** for local giving.
HOW TO USE	Developing and implementing a Local Giving Segmentation Model is a multistage process that requires identifying the specific dimensions of choice and building internal buy-in to reallocate new local giving budgets: • **Determine total available budget** | Identify what proportion of the total budget will be allocated to local giving in relevant communities. • **Identify** "in-scope" **communities** | Speak with relevant business leaders (e.g., supply chain, sales groups, store operations) to identify the "full list" of potential communities that should be considered for local giving, including international locations. This list often is much longer than the current communities tagged for local giving. • **Determine tiers of giving** | Consider the types of communities within the portfolio and identify how many tiers of giving to support. Companies typically identify three or four tiers, including the headquarters giving. • **Develop criteria and measures for resource allocation** | Identify four to six business and social criteria based on the strategic intent of local giving. Companies should use criteria that can be assessed using readily accessible measures that can be updated on an annual basis. In some cases the data are publicly available (e.g., census), available via standard strategy and business plans (e.g., growth and headcount targets), or accessible through straightforward outreach to local employees (e.g., degree of local importance). • **Build dynamic segmentation tool** | In Excel, build an interactive segmentation model to determine resource allocation decisions. Using tiers, criteria, and measures, further weight the criteria based on the portfolio objectives. The resulting output enables the team to consider a range of budget scenarios, customize the number of tiers, and adjust assumptions at any time based on evolving business and community needs.

Second, foundation and CSR leaders can consider the relative allocation of local giving across its footprint. Unbalanced budget allocations are often obvious both in the domestic versus international giving breakdowns, as well as with the breakdowns among locations within individual countries. According to CECP's annual *Giving in Numbers: 2016 Edition* report, approximately two-thirds of the 265 companies surveyed give internationally, and those companies allocate on average 19% of their overall portfolios to international giving.

Companies can determine a relative prioritization of communities and determine location-specific budgets through employing a data-driven decision tool. Decision-makers can segment their local giving by a community's relative importance to the company (see Tool 3 on page 16). Typically, foundation and CSR leaders have inherited a relative prioritization without clarity on the explicit rationale. We have seen foundation and CSR leaders use a strategy process as an opportunity to refine how they allocate resources based on a set of business-oriented criteria. In other words, foundation and CSR leaders can lead the charge in both acknowledging a relative prioritization of communities and developing a data-driven rationale to clarify why some communities receive a disproportionate amount of philanthropic resources relative to others.

General Mills, for instance, uses several customized criteria to determine allocations across its more than 50 manufacturing locations. This combination of criteria reflects General Mills' liberated local giving model and goal of securing its license to operate among communities and consumers, engaging local employees, and building a local brand for the company in key and new growth markets.

General Mills' plant in Cedar Rapids, Iowa, for example, is one of the company's largest plant locations, and where the company is one of the top 20 largest employers locally. Employees frequently cite the sense of pride they have in working for a company that generously gives back in their community.

Given the number of people General Mills employs relative to the overall size of the community, for all practical purposes this is a General Mills "company town." General Mills is important to the overall community vitality, so the visible and generous role it plays in supporting local education events, heart walks, playground restoration, and environmental stewardship is essential for General Mills to preserve the company's local reputation.

> "*I'm proud of the fact that General Mills is both a major contributor to our local economy and has helped to solve some of the highest priority needs in our community. At the same time, community members see the General Mills name and expect us to give back to the community, partly because we've always done that and partly because we rely on this community to be a successful company.*"
>
> — General Mills plant employee

Headquarters Communities: A Unique Flavor of Local Giving

Most companies choose to treat local giving in headquarters communities differently than in other locations. While the strategic intent with this giving often includes building goodwill, companies may make larger investments to meet specific business objectives (e.g., ability to recruit and retain talent). A typical headquarters giving portfolio tends to be significantly larger than the operating community counterparts, enabling companies to make signficant, multiyear investments in local arts institutions, school districts, or local infrastructure. In our experience, there are two approaches to headquarters giving:

- **Invest in a context-specific signature initiative:** For example, the **GE Foundation's** $50 million philanthropic commitment to GE's new headquarters community in Boston is significant relative to its other operating communities, yet the investment is reasonable given the company's desire to make a focused impact in its new host community.

- **Support clustered local giving tailored to specific local needs:** For example, **Cargill** has supported education in the Twin Cities for decades, recently shifting from broadly investing in education to partnering with local collaborative efforts and other players to invest in specific issues related to the Twin Cities' achievement gap.

Build Local Capacity

As companies transform local giving through more flexible guidelines, opportunities exist to build the capacity of local teams to effectively meet local giving objectives. Building local capacity includes both increasing local teams' knowledge and understanding of effective local giving practices and establishing practical local structures to execute these practices. To facilitate this shift, headquarters societal engagement staff can provide coaching and guidance to support the transition and help sustain effectiveness.

Building local teams' knowledge and understanding of effective local giving practices is critical for delivering desired results. Guidance to local teams can include how to build a local portfolio of grantmaking based both on the community's needs and the interest, passion, and resources of local company teams. Support could also include providing necessary tools and resources to conduct a local needs assessment.

At their best, local leaders can go beyond what they perceive or assume the needs are to truly understand local needs. This practice typically includes dedicated time by local leaders to more deeply understand their communities by engaging with stakeholders (e.g., elected officials, municipal leaders, school administrators and teachers, nonprofit executives, community-based organizations, employees, and residents). Companies can host "brown-bag" lunches in their facilities to learn about the social and environmental needs in their communities or organize annual "listening tours" with grantee partners. Regardless of the approach, it's

important that local leaders go beyond engaging the "usual suspects" and seek the perspectives of leaders at small nonprofits, organizations that serve traditionally underrepresented or marginalized populations, or employees. Genuine inquiry can go a long way toward advancing even the most tenured leaders' perspectives on the evolving needs of their community. And centralized staff can provide guidance and support on how to conduct these types of local needs assessments and how to incorporate findings into their local giving priorities.

Practical local structures can also enhance the ability of local teams to efficiently and effectively implement local giving. In our experience, locally-organized, volunteer councils are a common local giving structure. These councils typically include 5 to 10 employees who oversee and manage local giving. These opt-in councils provide the necessary touch points for headquarters-based staff, while still allowing customization based on local needs. Local giving councils typically meet quarterly to discuss their local giving strategy and identify both local business and societal needs.

For example, the evolution of **Cargill's** portfolio demonstrates how a leading company can invest in building the capacity of its local giving efforts. For decades, Cargill's Minnesota-based headquarters team had exerted a high degree of centralized support for its locations around the world. Over time, Cargill recognized that there needs to be greater ownership and capacity at the local level to deliver on its commitment to local communities. As a result, to increase the local giving and engagement capacity in its international markets, Cargill is moving to a much more integrated global corporate responsibility team to support its network of 300 employee-led Cargill Cares Councils globally. This team shares best practices from around the world and provides capacity building, tools, and in some cases, corporate matching funds to help Cargill businesses and Cargill Cares Councils develop and implement strategic community and civic-engagement activities.

Cargill's capacity building is based on local demand and typically includes guidance on engaging local community and civic stakeholders, communicating giving guidelines and decisions, and fostering employee engagement. This evolved local giving structure has enabled Cargill country and regional teams to opt-in to developing a local grantmaking portfolio that is highly relevant to their particular business and societal needs. Cargill has a global framework and key priorities at a global level for its partnerships and recognizes the need for sufficient freedom at the local level to meet local needs and business objectives.

CONCLUSION

Corporate societal engagement leaders embark on strategy efforts to create lasting change within their companies and in society more broadly. As we have described, initial strategic planning successes represent only the starting point for the ongoing transformation process—they create an opening for further advancing the strategy for multiple elements of the portfolio.

Navigating these key next steps in advancing strategy—designing a signature initiative and transforming local giving—requires leaders to guide structured, data-informed decision making and make important organizational improvements. Through these intentional efforts to create a more focused, business-aligned, and outcomes-oriented portfolio, they can ultimately produce lasting, positive change for the business and society.

Jordan is energized by the progress he and his team have made over the last several months. They've successfully begun advancing the company's strategic direction for corporate societal engagement by implementing goal-oriented and specific signature initiative investments in several locations. He and his team have an in-depth and nuanced understanding of the internal and external contexts and are forging new and exciting partnerships. At the same time, his team has effectively empowered their local colleagues across priority communities to shape local giving and support issues that are relevant in their communities for the company. While advancing their strategy has been challenging at times, Jordan is excited to begin tracking the company's impact and learning about how to continuously strengthen their approach to corporate societal engagement.

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