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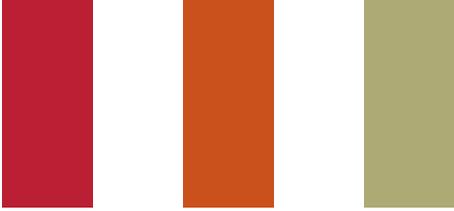
SOLUTIONS BRIEF

International Corporate Giving

April 2009

This solutions brief was produced as part of Philanthropy Solutions: Promising Practices in Corporate Giving. Philanthropy Solutions is a project of the Council on Foundations that addresses top-of-mind issues in corporate grantmaking in order to promote and facilitate knowledge sharing among corporate grantmakers. The information in this solutions brief represents the opinions and insights shared by corporate grantmakers during a Philanthropy Solutions roundtable discussion on International Corporate Giving in January 2009, at a subsequent town hall teleconference with corporate philanthropy practitioners, and research from the field.

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International Giving

International giving by U.S. companies was once synonymous with natural disasters. In the wake of catastrophes such as the 2004 Indian Ocean tsunami, the 2005 Pakistan earthquake, and 2009 flash flooding in the Asia-Pacific region, corporations made significant cash and in-kind contributions to provide families, communities, and countries with immediate relief as well as long-term recovery. Over the past decade, support for international causes has soared, with corporate giving in particular outpacing all other grantmaking.

The field, however, has shifted from simply aiding when disaster strikes to supporting international communities in more ongoing, strategic ways, with clear strategies and an infrastructure to support global giving. This surge in giving for international

causes and change in focus has flourished for multiple reasons. From the globalization of business to the ongoing expectation that companies must do good wherever they operate in the world, what a company does globally with respect to philanthropy is top of mind.

However, international giving is not merely about taking a corporate giving model implemented successfully in the U.S. and re-locating it to non-U.S. sites. Different expectations, laws, cultures, and, more than likely, different staff resources mean that weaving international giving into your philanthropic strategy will take some in-depth, up-front planning.

As such, this brief provides practical advice and tips on **setting strategy, ensuring an on-the-ground presence, and selecting partners** for U.S.-based companies with foundations and/or giving programs that are either venturing into the international giving arena or seeking to enhance their current programs. The last section highlights the importance of **maintaining legal compliance**. The Council has extensive resources on the many legal and regulatory dimensions of international philanthropy noted throughout the brief.

KEY TRENDS IN CORPORATE FOUNDATIONS' INTERNATIONAL GIVING

- Grant dollars for international purposes more than doubled from \$115 million in 2002 to \$261 million in 2006 (a 127% increase); in comparison, overall corporate foundation giving only increased 12% from 2002 to 2006
- Seven out of ten corporate foundations made at least one international grant in 2006
- Humanitarian assistance among corporate foundations grew from \$3.4 million in 2002 to \$38.3 million in 2006

Source: *International Grantmaking IV, an Update on U.S. Foundation Trends*, 2008, The Foundation Center and Council on Foundations

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III SETTING STRATEGY AND STRUCTURE

To properly frame giving and set a strong strategy, it is important to articulate the company's rationale for providing philanthropic support in a particular region or country and to consider the degree to which the program connects to your company's overall philanthropic platform. A focused strategic program can go a long way in helping employees, customers, and other stakeholders understand why, when needs are great at home, your program is targeting those abroad.¹ Additionally, it is critical to determine how senior leaders can play a role in integrating this type of giving into the rest of your company.

■ **Identify the drivers that rationalize your intentions.** A company's motivation to give outside of the U.S. is shaped primarily by a blend of business and/or social drivers. Clearly understanding the logic for international giving will help to dictate program focus and form key program objectives.²

- Common business drivers include
 - ◆ enhancing corporate brand and reputation
 - ◆ establishing competitive differentiation
 - ◆ expanding into new business markets and increased employee presence

"Many companies already have 'rogue' efforts occurring in their international regions. It is important to determine how those efforts were started and what they are achieving so the company can determine if and how to best corral them into a larger initiative."

Corporate philanthropy practitioner

How important are these or other business drivers to your strategy?

- Typical social drivers include
 - ◆ public expectation for global corporate citizenship
 - ◆ the urgency to solve global concerns such as hunger or treatable tropical diseases
 - ◆ employees' interest in supporting local communities abroad

Will social drivers take precedence over business ones?

Salesforce.com: 1:1:1—The Power of Us: Since its inception, Salesforce.com has leveraged employee time, product donations, and equity to amplify its philanthropic commitment in communities where the company operates and in growing markets. Salesforce.com looks for opportunities to support compelling issues and causes that reflect their employees' passions, leveraging intersections between business and giving.

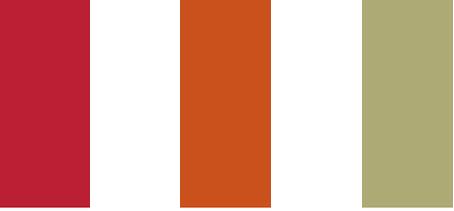
■ **Decide whether a centralized or decentralized approach best fits your objectives.**

International giving can mirror a company's philanthropic platform and core causes, or it can be more elastic and vary across geographies. Which is right for you?

- A **centralized strategy** closely aligns to the focus areas and priorities of a formalized, structured program where grantmaking authority is generally dictated from the home office. Oftentimes field office budgets can supplement those giving funds allocated to that market from headquarters. This approach works best if you have a strong desire for a consistent face of the company's

¹ See Philanthropy Solutions Brief, *Corporate Strategic Philanthropy*, Council on Foundations, September 2008

² In an informal poll of 18 corporate philanthropy professionals, when asked to share the top drivers for launching an international program, 72% indicated a commitment to support communities where business is conducted, 56% market expansion, and 50% employees' expectations to address needs in local countries. Philanthropy Solutions teleconference on technology, February 25, 2009.



philanthropic focus worldwide. It will also make it easier to maintain a global message about impact.

- A **decentralized strategy**, often driven by local employees, is more flexible, and places fewer limitations on which focus areas can be supported with international giving. Approaching strategy in this way makes for a nimble program that can simultaneously support varying local needs across multiple countries.

Levi Strauss & Co.—Before Levi Strauss realigned the company's global giving strategy to corporate affairs, its program was executed as if there were three distinct giving programs in key regions around the world, without a unified story to share internally or externally. Giving was widely interpreted by regional staff based on their expertise and local partnerships. Today, global giving links directly to the corporate strategy and core focus areas, enabling the company to unify its staff and messaging for greater global impact.

- **Leverage the C-suite to shepherd your program.** Like with any venture, support from the company's senior executives creates an atmosphere for company-wide success and buy-in. There are a variety of low and high-touch ways to engage senior leadership. You can ask them to
 - champion global giving across departments, regions, and countries
 - build a culture that invites and supports the execution of a global giving program
 - reinforce the message that giving is important to the business and plays a meaningful role in global operations

- **Communicate, communicate, communicate.** Whatever strategy you adopt, don't forget the importance of communicating it through every level of the company. The more information you share, the more likely your stakeholders—both at home and abroad—will understand how your international giving strategy fits into the larger company vision. Websites and intranets, employee blogs and podcasts, and even social media tools like Facebook and Twitter make it easy to share stories demonstrating the impact of your programs.³

■■■ ENSURING AN ON-THE-GROUND PRESENCE

To create authentic, strategic links in local communities, having some tangible, human contact in a country's programs is key. In an ideal world, in-country staff would oversee and implement your company's international giving program. While some companies are able to dedicate regional staff positions to execute philanthropic programs, for many this is not realistic, especially during difficult economic times.

What can companies do to establish and maintain an on-the-ground presence? This is a perfect opportunity to engage local employees in a meaningful way. As “cultural anthropologists” for your program,

BUDGET CONSIDERATIONS

Multiple criteria are used to establish an international giving budget—the right mix will be unique to every company. Some of the most often-used criteria include

- employee headcount
- revenue projections
- sales growth
- office size

³ See Philanthropy Solutions Brief, *Strategic Communications*, Council on Foundations, November 2008.

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they can be an invaluable resource. Aside from engaging as employee volunteers, they can provide support in ways that are very tangible and hands-on or provide a more cursory and lighter touch. Consider leveraging your in-country employees to:

- **Advise headquarters staff on local needs.** You can tap employees as a resource for knowledge and information that may be difficult to ascertain because of distance. The specific needs of different communities will vary greatly but the more you know, the better equipped you will be to identify opportunities for your company to address service gaps, cultivate relationships and allocate funding. Once you determine needs, employees' observations and roots in communities can provide intelligence on effective projects and strategies.
- **Provide detail on cultural differences and norms.** Employees who are from or currently live in countries that you would like to support are a gold mine. Tap them for firsthand information about cultural norms and values. These insights may influence how you interact with organizations and establish partnerships. You don't want communities to view your corporation or program as intrusive; rather, you are looking for that place of harmony where local charities see that you respect and appreciate local customs.⁴
- **Serve on committees, teams, or councils.** Gathering employees to work on your behalf in local communities can add another layer of structure and support for your international giving program. A committee, team, or council can take on limited or full responsibility for grants administration, grants management, and partnership development. For example,

- **eBay** has implemented GIVE (Grantmaking and Inspiring Volunteerism Everywhere) Teams that are trained and provided with a toolkit to support and grow local grantmaking and community service around the world. Employees nominate organizations for a grant (no volunteerism requirement) and the GIVE Team in partnership with the eBay

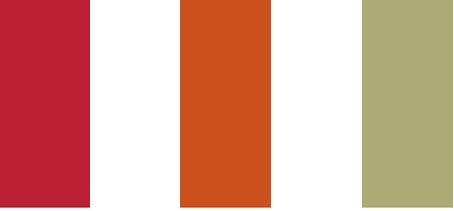
In 2002, Cadance Design Systems launched the *Spirit of Stars and Strike*, an annual, global employee-fundraising event held in conjunction with the Foundation's Stars and Strikes program. Employees from North America to Asia Pacific host local activities and events to benefit nonprofit organizations in their local communities. The company matches donations through its Community Involvement Program; to date, more than \$2 million has been raised for nonprofits worldwide.

Foundation screen applications for completeness and eligibility, assess the proposed project, and meet to determine funding recommendations.

- **Levi Strauss & Co** uses employee-formed Community Involvement Teams to serve as the gateway for planning and executing volunteer projects as well as a source for identifying funding opportunities on six continents.

- **Act as a community coach.** If you feel that cultural barriers may hinder your program or you prefer more direct contact with local partners, providing a program community coach is a wise choice. Local partners may need assistance understanding your company's grant process, guidance on how to navigate an online system, or help translating and interpreting documents (e.g., grant applications, partnership agreements, and final reports). There is no

⁴ For a framework on approaching international giving, see the Council on Foundations' *Principles of Accountability for International Philanthropy*, Council on Foundations.



substitute for physical presence. The availability of a person to respond to inquiries will help build trust and minimize errors and confusion.

- **Foster appreciation for diversity and inclusiveness among headquarter staff.** In today's global economy, one company may span several cultures, countries, and even continents. Such diversity leads to the challenge of creating inclusive working environments based upon respect, responsibility, and understanding. Employee volunteer programs can help. International employees engaged in local charitable activities can serve not only as ambassadors of your giving program in their own communities, but as ambassadors of their own countries and cultures among headquarter staff as well.⁵

III SELECTING PARTNERS

If corporate goals and strategy drive the structure of your international philanthropy, then the structure will dictate how you collaborate with others to operationalize your grantmaking. Whether for back-office support (e.g., solutions providers or community foundations that manage vetting) or to ensure authentic, in-country expertise, partner selection is a challenging but critical step in creating a successful international giving program. Often, U.S.-based headquarters staff is hundreds of miles away from the location where programs or services take place. Despite the distance, staff wants to feel secure that potential international partners are screened and vetted with the same rigor as domestic ones and that ultimately those that most closely align with the company are chosen. Therefore, it is essential to determine partnership goals upfront, select an approach for partner identification, and reassess the value and significance of partners over time.

- **Determine partnership goals.** Ask yourself:
 - What is the intention of your relationship with charitable organizations in-country?
 - How many partners will you need?
 - How visible do you want the partnerships to be?

Large, prominent organizations are more likely to have broader reach, possess expertise in their core focus and have the capacity to gather and report outcomes, and bring visibility to the relationship with your company. Smaller, grass-roots organizations will likely provide tailored approaches to service delivery through close-knit ties to specific communities and more innovation through less-structured programs, but may lack some organizational capacities inherent in more seasoned organizations. Different partners can serve different purposes and meet different needs. Take time to examine your expectations and outline what is critical for making partnerships effective for your program.

- **Select partnership approach.** Depending on your goals, there are two main ways to provide international support, both of which will likely involve partners to enable the most effective and efficient giving: (1) giving directly to local in-country charities and (2) through a U.S.-based 501(c)(3) intermediary.

Examine the pros and cons of each approach before making a final decision.

Neither of the options is the right or wrong way to select a partner; oftentimes the answer is a blended strategy. In addition, partnership with other types of foundations and coordinating with local governments may also be part of the solution for high-

⁵ See Philanthropy Solutions' Brief *Employee Volunteerism*, Council on Foundations, April 2008, and *Diversity and Inclusiveness in Corporate Philanthropy*, Council on Foundations, July 2008.

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Approach	Pros	Cons
Give directly	<ul style="list-style-type: none"> ■ Direct interaction with local organization ■ Greater sense of authenticity ■ In-tune with reality and scope of local needs ■ No need for third-party coordination to establish employee engagement opportunities 	<ul style="list-style-type: none"> ■ May be harder to determine organizational capacity and charitable status (see Maintaining Legal Compliance, below) ■ Geographic presence may be limited ■ Less organizational or service delivery capacity ■ Difficult to manage legal requirements for multiple countries independently
U.S.-based intermediary	<ul style="list-style-type: none"> ■ Able to assume grants administration and management responsibilities, particularly beneficial when corporate human resources are limited ■ Support for navigating legal compliance ■ Broader perspective on needs across multiple countries ■ Grasp of local customs/norms and cultural difference ■ Affiliation opens doors for collaboration with other funders/donors 	<ul style="list-style-type: none"> ■ No or little in-country presence ■ May be challenging to align intermediaries' selections with corporate goals ■ May tend to work with large, established organizations rather than small grassroots charities ■ Administrative fees required as payment for services ■ Limited corporate affiliation with grant since it is distributed through a third-party vendor

impact results. The key is to reconcile your strategic intentions based on partnership goals and select the approach that will best help your company achieve its objectives.⁶

- **Applied Materials** works closely for its charitable programs in India with the American Indian Foundation, the largest U.S.-based foundation focused on development in India, because of the foundation's specialized expertise and knowledge of the country.
- **Orrick, Herrington, and Sutcliffe, LLP**, on the other hand, selects partners for its international pro bono legal work based on relationships that have evolved over time and more organically with the firm through its network of local legal service providers worldwide.

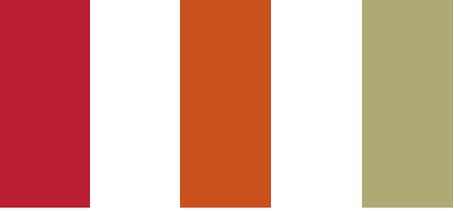
Both companies have been pleased with their partner relationships.

■ **As the program evolves, reassess.** The type of partnerships needed to execute your giving program internationally will change with time. Just as you would pause occasionally to evaluate funding priorities and results, you should review and analyze your relationships with funding partners and charities abroad. Ask yourself:

- Is it time to decrease the number of organizations being funded and focus on maintaining deeper relationships with high-leveraged partners?
- Are there relationships you should exit due to lack of performance?
- Do you have relationships that are duplicative?
- Do you have to reallocate funds to enter a new market?

Scrutinize your partnerships and make the necessary adjustments to keep your program growing and fresh.

⁶ For additional information and lessons learned from working with intermediaries, see GrantCraft's *Working with Intermediaries: Global Grantmaking through Partner Organizations*.



MAINTAINING LEGAL COMPLIANCE

When considering international grantmaking, a key decision is whether to make such grants directly from the corporation or from the company sponsored private foundation. Why? The tax deductibility and the legal rules for making the grants vary depending on which entity makes the grant to the non-U.S. organization.

- **Deductibility.** Grants to international organizations do not qualify for a charitable deduction if made directly from the corporation. However, a company may generally receive a charitable deduction for funds contributed to a company foundation which in turn, it may grant to non-U.S. charities. This is true so long as the contributions from the corporation are not earmarked for the non-U.S. charity.
- **Grantmaking Rules.** Grants directly from the corporation to a non-U.S. charity are not subject to any special rules. Grants from the private foundations, however, must adhere carefully to the private foundation rules. The key piece of information is that a private foundation must follow one of two processes—expenditure responsibility or equivalency determination—to avoid excise taxes on grants to overseas charities without a section 501(c)(3)⁷ designation. Both of these processes are designed to help ensure that grants by private foundations are made and used for charitable purposes.

Regardless of whether a grant is made directly from the corporation or from the company foundation, grantmakers should familiarize themselves with anti-terrorism measures and determine what steps, if any, they should take to minimize the risk that funds will be diverted for terrorism.⁸ The U.S. International Grantmaking website—www.usig.org—is a rich resource for all aspects of international grantmaking. Additional information is available in *Beyond Our Borders: A Guide to Making Grants Outside the U.S.* by John Edie and Jane Nober.

Conclusion

As the number of companies with stakes in the global economy continues to grow, international giving will soon have a permanent place in the area of corporate citizenship. With this, comes the opportunity for companies to create and execute strategic philanthropic programs that extend giving beyond domestic borders. A company's effectiveness and efficiency in this realm of international giving will hinge upon its ability to set a strategy that aligns with its business focus, select approaches and partners that support its strategy, and use its local presence to leverage practices that make a difference and best position it as a global corporate citizen.



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⁷ See *Equivalency or Expenditure Responsibility? A Guide in Plain English* for an overview and comparison of these options

⁸ See *Anti-terrorism Compliance* on www.usig.org