

# COMMUNIQUÉ

*Trends, Best Practices and Opinions on Corporate Citizenship from LBG Associates*

## **What Are Best Practices in Corporate Citizenship Today?** ***Part 2 of a Four-Part Series: Corporate and Foundation Giving***

This is the second part of a four-part series on best practices in corporate citizenship (CC). As we learned in [Part 1](#), CC practitioners are eager to understand the practices followed by best-in-class companies so they can incorporate relevant ones into their programs. While we have not conducted a formal study on this since 2007, the following recommended best practices are a result of brainstorming sessions held by the LBG Research Institute with thought leaders in the industry, our experience with many clients over many years and recent publications by others.

In the first Communiqué we discussed best practices regarding strategy. In this issue we will focus on corporate and foundation giving.

### **Giving**

#### *Strategy*

Whether the grants are made directly by the company or through a foundation, the giving program should have a strategy that is aligned with the overall citizenship strategy. Some best practices include:

- Have a mission statement and giving guidelines
- Have one or two authentic focus areas that are narrow and strongly supported
- Allocate funding to focus areas and other giving categories based on the strategy
- Leverage as many company resources as possible, including senior executives on key boards (integrated grantmaking)
- Focus on fewer, larger grants
- Be proactive in finding nonprofit partners
- Support programs rather than general operating support (GOS) but include needed administrative funds in the grants you are making
- Ensure that the programs incorporate strategic community partnerships and collaboration

One caveat is that foundations need to be mindful of remaining in compliance with the IRS regulation which states that the foundation must operate at "arm's length" to the company.

#### *Structure*

There is a continuum of ways to structure a giving program, from having a centralized program where all decisions are made at headquarters to creating a decentralized program where decisions are made in the field. The middle ground, or a combined

centralized-decentralized program is a best practice. In this case, the strategy is set by headquarters, but its implementation is left to the CC staff in the field.

Additionally, whether the giving is being done through the company or its foundation, best-in-class companies have an executive decision-making body, such as a contributions committee or a foundation board that oversees the giving program, provides guidance and approves the largest grants.

### *Budget*

The amount of money donated is always a critical component of any program. Best practice companies:

- Donate an average of .95% of pretax net income (this might vary depending on size of program, industry and other factors)
- Have dedicated budgets for charitable giving, volunteerism, in-kind donations and sponsorships
- Keep multiyear pledges to a minimum—no more than 20% of the budget. This is particularly important when budgets are being reduced or a company is undergoing an upheaval, such as an acquisition or a sale

### *Grants Management Processes*

We all recognize that managing grant requests can be a very time-consuming process if efficient and effective processes are not put into place. For this reason, best practice companies:

- Have databases and systems that allow for efficient processing, tracking, measurement and payment of grant requests
- Have a comprehensive vetting process for applicants
- Empower contributions staff to make funding decisions

### *Coming up next: Best Practices in Employee Engagement*

Did you miss Part 1 on strategy? Read it [here](#).



#### *About LBG Associates*

LBG Associates is a woman-owned consulting firm focused on designing, implementing and managing corporate citizenship and employee engagement programs and initiatives. Founded in 1993 by Dr. Linda Gornitsky, LBG Associates drives social change through advice, implementation, research and training. Find more information at: [www.lbg-associates.com](http://www.lbg-associates.com).