

*P a r t* *o f* the Solution:

LEVERAGING BUSINESS AND MARKETS FOR LOW-INCOME PEOPLE

LESSONS LEARNED

FROM THE

FORD FOUNDATION

CORPORATE INVOLVEMENT

INITIATIVE

## FORD FOUNDATION MISSION STATEMENT

The Ford Foundation is a resource for innovative people and institutions worldwide.

Our goals are to:

***Strengthen democratic values,  
Reduce poverty and injustice,  
Promote international cooperation, and  
Advance human achievement.***

This has been our purpose for more than half a century.

A fundamental challenge facing every society is to create political, economic and social systems that promote peace, human welfare and the sustainability of the environment on which life depends.

We believe that the best way to meet this challenge is to encourage initiatives by those living and working closest to where problems are located; to promote collaboration among the nonprofit, government and business sectors; and to ensure participation by men and women from diverse communities and at all levels of society. In our experience, such activities help build common understanding, enhance excellence, enable people to improve their lives and reinforce their commitment to society.

## Preface

This report presents lessons learned from the Corporate Involvement (CI) Initiative of the Ford Foundation, an effort that sought to demonstrate that businesses could use core operating resources and competencies in ways that contribute to large-scale improvement in income and assets for low-income people, while benefiting business.

Influencing business and markets while advancing social goals is a key challenge for philanthropy and civil society. The roles of government, business and civil society are changing dramatically. Government is moving from resource provider to catalyst and enabler. Business is globalizing and is a growing force in influencing societal well-being. Social innovations once stimulated by the public sector are increasingly seeded by business and expanded through the market. For foundations, working with companies and through markets is a critical, yet underutilized tool to unleash new resources that build assets and wealth in poor communities.

The integration of business into grant-making strategies completes a “three-legged stool” of public-private-community alliances needed to improve low-income communities. It draws inspiration from the asset-building framework adopted by many funders and advocates, which defines assets as the broad array of resources that enable people and communities to exert control over their lives and participate in society in meaningful and effective ways.

The CI Initiative was intended to demonstrate how business and communities could collaborate to generate “win-win” outcomes – competitive advantage for business and gains in assets and wealth for low-income people. We believe that the work of the organizations described in this report provides evidence that markets can be leveraged on behalf of low-income communities.

Recently concluded by the Foundation, the CI Initiative has generated insights about effective methods for transforming markets to better meet social needs. These insights include the following:

- *While businesses have some latitude to act in ways that aren't immediately or directly profitable, changing business behavior in sustainable ways requires changing the ways in which markets operate.*
- *Changing markets is complex, requiring the use of multiple strategies and competencies in concert.*
- *Changing markets is a long-range strategy that can have substantial payoffs in improved income and wealth for low-income people.*
- *Foundation funding is critical to supporting the innovations required to change markets.*
- *Building a field of practice helps develop and disseminate new competencies and knowledge.*

This report is intended to serve the needs of nonprofit leaders who want to understand how to engage corporations in win-win strategies and foundation staff interested in grant strategies that support those activities. It also serves the needs of a broader audience: those interested in corporate involvement, corporate social responsibility and corporate citizenship.

The report offers frameworks that help nonprofits understand how to collaborate with businesses over time. It provides examples of how nonprofits have worked with businesses to achieve a social goal, and points out challenges and solutions in crafting CI strategies. We hope that the achievements of the organizations profiled here will provide useful insights for all individuals interested in engaging the business community in positive social change.

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**Part of the Solution: Leveraging Business and Markets for Low-Income People**

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## Executive Summary

### Part of the Solution: Leveraging Business and Markets for Low-Income People

This summary provides a quick immersion into the key frameworks, examples and findings of the Ford Foundation Corporate Involvement Initiative. From 1995 to 2003, the Initiative sought to demonstrate how business and communities could collaborate to generate “win-win” outcomes – creating competitive advantage for business and gains in income, assets and wealth for low-income people through private sector investment in communities. The full report is available at [www.fordfound.org](http://www.fordfound.org).

#### Why Work With Business And Markets?

For foundations of all types, learning how to work with corporations and through markets is a critical, yet underutilized tool for unleashing new resources to build assets in poor communities. Here, assets include financial holdings, natural resources, social bonds and human capital that individuals, organizations, or communities can acquire, develop, improve, or transfer across generations. Businesses play a crucial role in establishing many of the conditions that create or hinder the opportunities for low-income people to build their assets. They do so primarily through their everyday operating practices – how they market their goods and services, who they hire and how they develop and compensate them, how they manage their supply chains, where they locate their operations, and how they influence public policies. To make sustainable and scaleable changes in business operating practices requires changing the ways in which markets operate, because markets shape business behaviors. Accordingly, the ability to leverage business and markets in a manner that advances social goals is a key challenge for philanthropy and civil society.

#### Examples Of Success

The CI Initiative focused on four areas of economic development: financial services, workforce development, enterprise development, and regional economic development. In each area, the Initiative grantees succeeded in demonstrating specific win-win strategies that leveraged business and markets to benefit low-income individuals. Here are some examples:

##### *Financial Services: expanding opportunities to build financial assets*

Fannie Mae Corporation, in partnership with Self-Help (a community development lender), agreed to purchase innovative and flexible mortgage products that enabled low-income individuals to purchase homes. This has led to the issuance of more than \$2 billion in affordable mortgages to over 30,000 low-income families who previously would not have qualified for conventional mortgages. This enabled these new borrowers to acquire their own homes, one of the principal means of building financial assets in America. It also opened up a new group of profitable customers for banks serving the mortgage market.

##### *Workforce Development: improving labor skills and earnings*

Manpower Corporation developed its TechReach program in partnership with community-based organizations. The program provides businesses with a new source of work-ready skilled technical workers while offering a gateway to high-wage technical careers to the unemployed and underemployed. In May 2003, Manpower formed a National Business Partnership with the Department of Labor. This created formal links between Manpower’s network of 1,150 offices and nearly all 1,900 of the Department of Labor’s One Stop Career Centers. In 2001 and 2002, Manpower placed 1,270 program participants from 45 programs around the nation into information technology jobs. Manpower is now placing approximately 2,000 individuals per year into jobs through its TechReach program. The low-income individuals are gaining marketable and highly transportable skills and increasing their income and employment security. In addition, Manpower has been able to tap a new source of workers to help serve its 400,000 business clients worldwide.

### *Enterprise Development: supporting sustainable livelihoods*

TransFair USA helps to support enterprise development among coffee farmers and cooperatives by certifying and promoting Fair Trade coffee. Fair Trade coffees are grown, marketed, roasted and sold in strict compliance with international Fair Trade standards – a fair price, direct trade, access to credit and support for sustainable agriculture. TransFair’s activities have helped to create benefits for both farmers and businesses. Since 1998, TransFair USA’s certification of Fair Trade coffee has generated \$45 million of additional income for family farmers compared to what they would have received under the prevailing international terms of trade. This leads to higher family living standards, thriving communities and more sustainable farming enterprises. TransFair’s certification also helps coffee roasters and retailers to differentiate their products and attract new customers. For example, companies offering Fair Trade coffee in both 2002 and 2003 reported average annual sales increases of 125% at a time when coffee sales overall were only growing at 2% per year globally (*International Coffee Organization, 2004*).

### *Regional Economic Development: creating thriving and diverse communities*

The San Francisco-based Bay Area Council is a business organization of 275 major employers that seeks to promote progressive regional public policy. It is among an increasing number of regional business organizations that are supporting “smart growth” approaches to development. The business sector is recognizing that economically prosperous and environmental sustainable inner cities are essential for business competitiveness. In partnership with community groups and local government, the Council has raised more than \$170 million in investment funds to support business growth, commercial revitalization and brown-field cleanup in 46 of the poorest communities in the San Francisco Bay Area. This benefits communities by improving their asset base and creating new jobs for residents. It benefits business by revitalizing these inner-city markets, leading to increased sales and property values. It also helps to create more “smart growth” in the Bay Area, easing strains on housing, education, transportation and the environment.

### **Strategies To Address Market Barriers**

Organizations involved in the CI Initiative sought to overcome market barriers that cause poor alignment between profit-seeking market goals and asset-building outcomes for low-income individuals. These market barriers include the following:

- **Information**
  - Misperceptions of risk of low-income people as consumers or employees
  - Lack of adequate information about low-income markets
- **Production costs and pricing**
  - High costs for serving low-income market due to low transaction sizes
  - High levels of industry concentration or outright monopolies
  - Ability of businesses to externalize social costs of their activities
- **Consumption preferences**
  - Lack of market mechanisms to integrate preferences of firm stakeholders
  - Low business interest in market segment because of low purchasing power
- **Organizational culture**
  - Cultural biases and prejudices toward low-income and minority communities
- **Market environment**
  - Poor business operating conditions (political instability, lack of infrastructure, poor factors of production)

### **Strategy 1: Create awareness, interest and leadership within the business sector**

**Aspen Institute’s Business and Society Program.** The mission of the Business and Society Program (BSP) at the Aspen Institute is to increase the supply of business leaders who understand – and seek to balance – the complex relationship between business success and social and environmental progress. BSP uses multiple approaches to achieve this end. One approach has been to increase the teaching of social issue management in business school education. To this end, it has spearheaded the development of caseplace.org, a unique Web resource that lists hundreds of cases that business faculty can use to incorporate social issues management into business education; Beyond Grey Pinstripes, a bi-annual report highlighting and comparing the most innovative MBA programs and faculty incorporating environmental and social impact management into the business school curriculum; and, Where Will They Lead?, a multi-year longitudinal study of MBA student attitudes toward the role of business in society, and how these attitudes are shaped by business school education. BSP’s reports have gained wide media coverage, including stories in The Wall Street Journal, Business Week, Time, and Harvard Business Review. BSP’s efforts contributed to increasing the proportion of business schools that require one or more courses in ethics, corporate social responsibility, or business and society, which rose from 34% in 2001 to 45% in 2003.



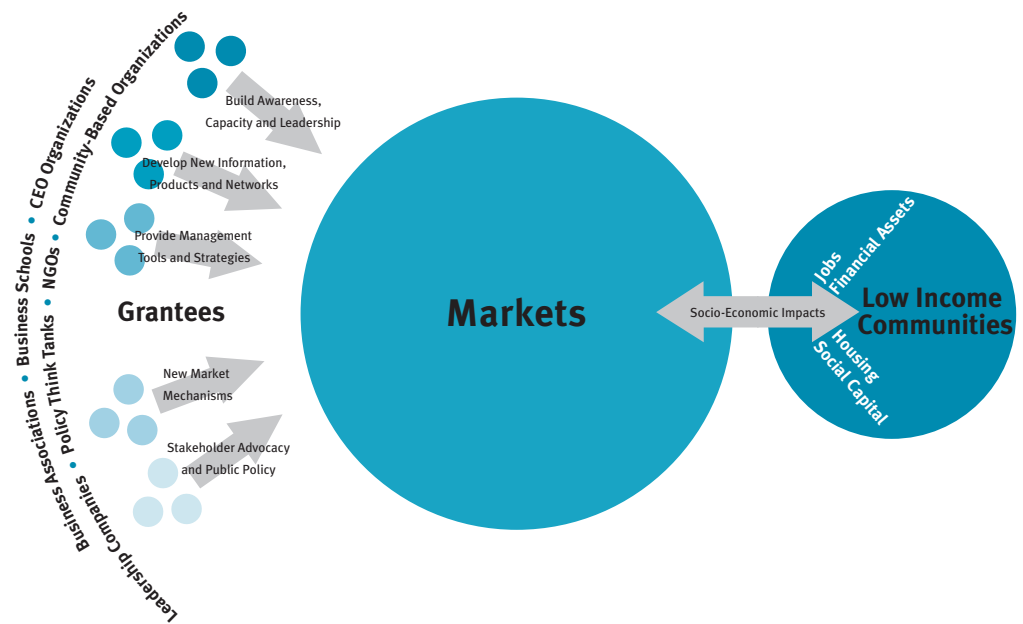
A range of organizations are needed to enhance market alignment, enabling businesses both to make money and to create assets and income for low-income individuals. These organizations include business associations, business schools, CEO associations, leadership companies, policy think-tanks, NGOs and community-based institutions. The Initiative found that there are five key strategies that these organizations pursue to remove market barriers:

1. *Create awareness, interest and leadership within the business sector*
2. *Develop new information, products and networks*
3. *Address organizational and cultural barriers with management tools and change strategies*
4. *Create new market mechanisms*
5. *Organize for collective action and public policy*

**Strategy 2: Develop new information, products and networks**

**The National Home Safety Partnership.**

A coalition of insurers, including State Farm, St. Paul, Travelers Property Casualty and Nationwide, worked with Neighborhood Reinvestment Corporation and the NeighborWorks® network (a national nonprofit organization focused on revitalizing communities) to develop the National Home Safety Partnership, a successful program for increasing home safety and reducing insurance losses. The program provided: education to low-income homeowners on safety hazards in the home, a free home safety assessment, and low-interest, long-term loans to enable homeowners to remediate hazardous conditions. This program was piloted in six cities and served approximately 3,000 individuals. It is being expanded to 24 cities. Initial evaluations show that this program helps to protect the financial assets and physical safety of low-income homeowners. It also enables insurance companies to increase the profitable sale of homeowner’s insurance in these neighborhoods, and mitigates the risk for insurers by improving the safety and security of these homes.



**Success Factors**

Last year, the Ford Foundation funded a study of the CI Initiative grants. A primary question was how to increase the speed and scale of Corporate Involvement. The study looked for patterns that would help explain why some grantee activities had achieved scale and impact, while others were less successful. A careful analysis of comparable strategies led to the finding of the following key factors contributing to success in implementing CI strategies:

1. **Identify and motivate business decision-makers.** Business case information is necessary, but not sufficient. The key issue is finding champions who can bridge the public and private sectors, and who are ready and willing to use the information to drive change. Business leaders respond to multiple drivers. In addition to market drivers, these include values, compliance, and intangibles such as reputation and image. CI activities that tapped multiple drivers were more successful and longer-lasting than those that tapped just one.



2. *Develop organizational competencies to bridge business and community.* Successfully implementing CI strategies requires being able to work effectively in both the business world and the community. Relatively few organizations that participated in the CI Initiative started with competencies in both worlds. The organizations that succeeded developed these abilities by adding staff and skills, or by creating partnerships with organizations with complementary competencies.
3. *Mobilize business networks and build effective partnerships.* Grantees that created relationships with opinion leaders in business networks were more effective than those that did not. Opinion leaders include CEOs of large companies, executives in key positions in leadership companies, management “gurus” and the business media.
4. *Engage stakeholders and influence public policy to support CI.* Since many markets are poorly aligned, engaging stakeholders and influencing public policy is critical to increasing the scale and pace of CI.
5. *Build scalable solutions.* A “scalable solution” is a new product, service, practice, or a new enterprise that meets a market need, and that has the ability to grow to affect a significant proportion of transactions in the market. The growth in scale can be accomplished in a variety of ways, including a growth in scale of the CI Initiative participant, adoption of the business solution by other organizations and the creation of new organizations to bring the solution to scale. The Initiative found that organizations that designed their intervention with a specific pathway for scaling up from the start were more likely to be able to produce scalable solutions.

### Strategy 5: Organize for collective action and public policy

**Social Investment Forum campaign against predatory lending.** Social Investment Forum is a national nonprofit membership organization with a membership of more than 500 social investment professionals and institutions dedicated to promoting the concept, practice and growth of socially and environmentally responsible investing. In 2002, the issue of predatory lending – the stripping of wealth from low-income individuals through unscrupulous lending practices – burst onto the national screen as a significant problem. Working together with Self-Help and other members, the Forum was able to act quickly and help to build a coalition of institutional and individual investors to put pressure on banks. Their efforts were successful in persuading major banks to change these practices. This both helped preserve the assets of low-income homeowners, and also opened up a market for lenders that provide loans on reasonable and fair terms.

### Strategy 3: Address organizational and cultural barriers with management tools and change strategies

**‘Business and Community Development’ report by the Center for Corporate Citizenship.** The Center for Corporate Citizenship at Boston College is a business membership organization providing research, executive education, consultation and convenings on issues of corporate citizenship. Its report, *Business and Community Development*, provides management tools for use in designing a business and community development strategy, and shows how to address the complex organizational issues that arise in implementing CI. It also provides diagnostic aids and case examples from companies such as Advanced Micro Devices, J.P. Morgan Chase, Cisco Systems and Texas Instruments. Managers in companies such as GE have used these aids and cases to help them align corporate performance with community economic development to achieve win-win impacts.

### Strategy 4: Create new market mechanisms

**Working Today.** Working Today is a social enterprise that functions as a market intermediary. It works to remedy the failure of the health care insurance system to serve the needs of the growing part-time and freelance workforce. To increase their access to affordable health insurance, Working Today signs up part-time and freelance workers, and creates a pool of customers. It then brokers group health insurance directly to this pool. This enables health insurance companies to identify these customers as attractive, and provide them with insurance at affordable rates. Working Today is now serving 12,000 individuals, more than 60% of whom are low-income. It is enabling these individuals to get health insurance they can afford, while also creating a new market for profitable sales of health insurance at affordable rates.

## The Role for Foundations

The experience of the CI Initiative has shown that foundations can play an important role in building Corporate Involvement. Because of the many market barriers described above, corporations do not perceive the benefit of investing in these low-income markets, particularly at the research and development stage. “First movers” often don’t capture the whole benefit from creating a market, and so don’t have incentives to improve the market as a whole. Accordingly, there are a number of enduring roles that foundations can play in building Corporate Involvement.

- **Seed Capital Investor:** In its role as seed capital investor, a foundation can provide R&D funding for untested business strategies and provide credit enhancement for testing new financial models. It can support nonprofit capacity building, promote dialogue across sectors, and support research and evaluation to identify best practices.
- **Building a Field of Practice:** Foundations are uniquely positioned to build a field of practice<sup>1</sup> — helping to create the social and intellectual capital that can then be used to harness the energy and creativity of managers, researchers, advocates and regulators in more productive and coherent ways. In its role in building a field of practice, a foundation can help to develop a community of practitioners, and to create a strategic approach to knowledge-building and communications within the field and between the field and the broader business and policy communities. Finally, it can play a unique role in providing core support for the organizations that make up the infrastructure for the field.

## The Challenges Ahead

The CI Initiative has shown that Corporate Involvement has substantial promise as an effective strategy for mobilizing private sector resources to increase assets for the poor. At the same time, CI faces significant challenges. Problems born of poverty and lack of opportunity continue to grow around the world at an alarming rate. With the role and resources of governments continuing to diminish, the participation of the business sector, in alliance with nonprofit leaders in economic development, is a matter of urgency. Key issues to be addressed in the future to enable the expansion of Corporate Involvement include:

- *Increase business leadership for Corporate Involvement*
- *Improve the evidence showing the financial benefits of Corporate Involvement*
- *Continue capacity building for nonprofits working on Corporate Involvement*
- *Empower stakeholders*
- *Build supportive public policy*
- *Develop long-term funding sources*

Business will continue to play a prominent role in society. As such, tapping its strengths for social good is a worthwhile challenge for all who are concerned in creating a just and prosperous world.

## Description of Report Contents

Part One provides an overview of the context and design of the CI Initiative. It starts by describing the focus of the CI Initiative and the key lessons learned. It then notes the Initiative’s goals and the analysis underlying its design. It places the Initiative into context by discussing both the external environment in which the CI Initiative was developed as well as the programming context in which it was set at the Ford Foundation.

Part Two provides an overview of achievements of the CI Initiative. It reflects on the Initiative’s progress toward demonstrating win-win strategies that create benefits for both business and community, and notes examples of progress made. It also discusses the state of CI at the inception of the CI Initiative, and notes the progress in building CI as a field.

Part Three presents a series of useful frameworks that help to organize the complex world and activities of CI. These frameworks provide both practitioners and funders with useful insights into how to develop CI strategies, what changes are required to enable CI to succeed, and the range of CI strategies that can help to create those changes.

Part Four describes the findings regarding key factors contributing to the successful development of CI. These success factors apply across all types of CI. The report details each factor and provides several case studies showing how the success factor was embodied in specific strategies and approaches to CI.

Part Five describes the role for foundations in CI. It starts by discussing the specific ways in which foundation capital and support can help to spur the development of particular strategies within the CI field. This section continues by discussing the foundation role in developing a field of practice. It defines what a field is and notes why building a field is an important activity for foundation support.

Part Six closes the report by noting the challenges ahead. It details the continuing need for increases in assets, income and wealth for low-income people. It highlights areas in which the CI practice needs to grow and develop in order to attain the scale needed to make a large-scale change in the lives of low-income people. It ends by giving suggestions for future directions of work in this area.

The report has two appendices: a listing of all the CI grantees profiled in this report and a discussion of the methodology.

Individuals interested in obtaining more information may visit [www.fordfound.org](http://www.fordfound.org) and search the e-library for the report entitled “Part of the Solution: Leveraging Business and Markets for Low-Income People” and the companion PowerPoint presentation. In addition, a rich body of resources can be found at [www.winwinpartner.com](http://www.winwinpartner.com), which contains information about organizations and publications relevant to building cross-sector partnerships that contribute to economic development.

1. A “field of practice” is defined as any set of activities and actors that share three characteristics:
  - **Domain.** There is a specific set of issues that are identified as being at the core of the field.
  - **Community.** There is a set of individuals who are working on, or concerned about, these issues. Individuals are able to identify the extent to which they are part of this set.
  - **Shared practice.** The individuals in the community have developed similar methods of addressing these issues.

## Part One | The Corporate Involvement Initiative

### Overview And Context

#### The Corporate Involvement Initiative – Overview and Context

The Corporate Involvement (CI) Initiative began to make grants in 1995 in a concerted effort to leverage private sector expertise and resources to expand income and assets for low-income individuals and communities through the provision of good jobs, financial services, community revitalization and enterprise development, while providing economic benefits to business.<sup>1</sup>

The Corporate Involvement Initiative focused on expanding forms of Corporate Involvement (CI) in community and economic development that:

- *Engage core business operating resources and competencies (including such diverse functions as human resources, product development, marketing, supply chain management, real estate and investments) in addition to community relations and philanthropy;*
- *Are part of a company's ongoing business strategy and are seen as contributing economic benefit to a company (for example, by unleashing workforce potential, expanding into new markets, improving stakeholder relationships, protecting the license to operate, enhancing reputation, and developing new products and services); and*
- *Have a positive impact on low-income individuals and communities (for example, by improving skills and earnings, creating good jobs, expanding opportunities to save and build wealth, and strengthening small businesses located in low-income communities or owned by minority entrepreneurs).*

#### Grant-Making Activities

Over the past eight years the Ford Foundation made approximately \$45 million in grants and program-related investments (below-market loans and equity investments) to support close to 50 grantees participating in the CI Initiative. The Foundation worked with a wide array of grantees, in a range of capacities, in the CI Initiative. The broad scope of nonprofit and business partners was critically important to building the infrastructure to support and enhance CI.

Almost all of the grants that the Foundation made went to nonprofits rather than businesses. These nonprofits played a variety of roles to support the engagement of the business sector in activities that benefited community and economic development. These roles included building awareness of the potential business benefits of Corporate Involvement, developing new information and products, providing management tools and strategies, developing new market mechanisms and advocating for system change. Some of the grants were for only a year while others spanned multiple years, depending on the nature of the strategy and the type of change sought.

Grantees included the following:

- *Nonprofits with economic development expertise who partnered with business to implement market based solutions to asset building*
- *Think tanks that engaged in research and policy analysis*
- *Business associations that provided capacity building assistance to businesses or helped organize them to act collectively to address problems*
- *Business schools that helped build leadership*

While the portfolio became increasingly global in later years, grantees were mainly based in the United States. Grantees were chosen for their ability to work at the intersection of business and community concerns. Frequently this dual capacity had to be developed or acquired through partnerships with businesses or other nonprofit organizations.

Throughout this report, examples are presented of the experiences and successes of many of the grantees. Brief profiles of all participating grantees are available in Appendix A of this report. To provide as complete a picture as possible of strategies and results from Corporate Involvement, the research study on which this report is based also included an additional five grantees of the Ford Foundation Economic Development Unit that used Corporate Involvement strategies but, for a variety of reasons, were not officially part of the Corporate Involvement Initiative. They are profiled in Appendix A as well.

## Lessons Learned

Fundamental lessons learned as a result of eight years of Initiative activity and assessment include:

- *Changing business behavior means changing markets.* Business behavior is primarily driven by markets. While businesses have some latitude to act in ways that aren't immediately or directly profitable and can also sometimes act on the basis of cultural biases or prejudice rather than profits, in general, business behavior is driven by profits, and profits are determined by market realities. To change business behavior in sustainable ways almost always requires changing the ways in which markets operate. In particular, the CI Initiative revealed that the key task in influencing business behavior was to identify and remove market barriers, or to create new market incentives, thereby altering the economic rationale in favor of community economic development goals.
- *Changing markets requires multiple, complex strategies and competencies.* Markets are a domain comprised of many actors, including businesses, customers, suppliers, exchange mechanisms and support organizations, and are bound by regulations, laws and norms. The CI Initiative found that changing markets required working at many levels. A constellation of actors with a wide range of competencies was needed to move markets.
- *Changing markets is a long-range strategy that can have substantial payoffs in improved income and wealth for low-income people.* The process of changing markets is long-term, requiring at least 5-7 years of concerted effort. It can also lead to large-scale shifts beneficial to low-income people. For example, the alliance between Self-Help and Fannie Mae Corp. enabled the provision of more than \$2 billion in new mortgages to low-income homeowners, and contributed to broader changes in the mortgage market over a 5-7 year period.
- *Foundation funding is critical to success.* Although Corporate Involvement eventually can lead to benefits for both business and communities, businesses typically will not fund the full cost of research, development, capacity building and scaling up. Government funding can play a role, especially in establishing standards that reflect society's evolving expectations of business behavior and incentives to influence business practices. Foundations are uniquely suited to provide the risky, flexible seed capital required to successfully catalyze Corporate Involvement solutions.
- *Building a field of practice helps develop and disseminate new competencies and knowledge.* Fields of practice<sup>2</sup> are effective and efficient ways of developing and improving professional practice. Key activities in building a field include creating settings for developing and sharing professional practice; developing a process for generating and disseminating knowledge; using strategic communications approaches for framing and sharing information about the practice and its results; and supporting the



infrastructure organizations that help to organize, lead and advocate for the field. Building a field of practice also requires supporting a wide range of organizations employing multiple strategies.

### Goals And Strategies

As stated earlier, the overarching goal of the CI Initiative was to leverage private sector expertise and resources to expand income and wealth for low-income individuals and communities through the provision of good jobs, financial services, community revitalization and enterprise development, while providing economic benefits to business.

The CI Initiative used two key strategies to attain this overarching goal:

- *Demonstrate win-win strategies.* The Foundation supported research, projects and advocacy to demonstrate specific ways in which core business sector resources can help low-income individuals and communities build their human and financial assets. The CI Initiative's objectives in the four primary areas of focus for demonstrating win-win strategies were:
  - ~ *Financial Services:* Increase access to mainstream financial services that are needed to build household economic security
  - ~ *Workforce Development:* Change business practices related to employee recruitment, hiring, training and promotion in order to improve income and economic opportunity for low-wage, low-skilled workers
  - ~ *Regional Economic Development:* Engage business collectively in an agenda of regional economic development that is sustainable and equitable
  - ~ *Enterprise Development:* Increase access to markets, capital and other private sector resources necessary to build competitive enterprises that can create good jobs.
- *Build the capacity of the CI field.* The Foundation sought to build sustainable capacity within the CI field to promote, develop and diffuse Corporate Involvement practices that support both strategic business interests and asset building for low-income individuals and communities.

### Initial Analysis

As part of its development of this initiative, the Ford Foundation engaged the consulting firm of Brody•Weiser•Burns to conduct a Field Exploration Study in 1995 that surveyed Corporate Involvement practice and activities. The goals and strategies of the CI Initiative were developed from the following conclusions, which were drawn from this study and from other experience and observations of Ford Foundation staff:

1. In the current political environment, public sector resources for social and economic development have become more limited, both in the United States and globally; therefore, large-scale social change requires improving the way markets and businesses support social and economic development.
2. Businesses play a crucial role in establishing many of the conditions that create or hinder the opportunities for low-income people to earn sustainable incomes, accumulate financial assets and attain marketable skills. Therefore, improving the way markets and business function is, in many cases, necessary to facilitate asset building for the poor, although government policies and programs also are crucial in this regard.
3. A host of barriers often prevent markets from adequately producing favorable financial and economic outcomes for low-income people. To overcome these barriers requires changing business attitudes, catalyzing business leadership, adapting internal business management systems, building capacity for partnership across sectors and creating a supportive public policy environment.
4. Strategic alliances among businesses and nonprofit organizations are indispensable if solutions are to be developed that provide benefits to companies and communities. Cross-sector partnerships are critical



because each sector has complementary competencies. Low-income communities and individuals need businesses as employers, retailers, and providers of various goods and services. In most cases, businesses need local organizations<sup>3</sup> to provide value-added resources such as local knowledge of new markets, effective education and training approaches, innovative financial products and broad community credibility. These organizations provide expertise in community and economic development, serve as brokers of information, create R&D hubs, provide resources and relationships with key stakeholder and constituencies of importance to business success (e.g., consumers, communities and investors), and assist business in mitigating risk, replicating successful models and capitalizing on emerging markets.

5. Submerged and unarticulated cultural differences between business executives and nonprofit leaders strongly hinder possible collaborations, even when both sectors share the objective of creating mutual benefit. In addition, cultural biases may affect the way business executives perceive low-income communities. A strategic communications approach is critical to eliminating these language and cultural barriers.
6. Business leaders rely predominantly on their peers as the most reliable and credible source of information. For this reason, business-based organizations and spokespeople are one of the most effective conduits for reaching the business community. Business-oriented organizations such as membership associations, trade or industry associations and business schools are critical conduits for building awareness, understanding, interest, advocacy and practice among current and future business executives and leaders.
7. Corporate involvement plays out in two settings: i) Within the interior landscape of companies, and ii) Between businesses and their external enabling environment. Many actors operate within the interior landscape of corporations, including managers, employees, unions, investors, boards of directors and others. These actors generate forces that affect a corporation's practices and culture. The internal landscape both influences and reflects the attitudes of corporate management and the relationships it has with various stakeholders in the marketplace, the workplace, the supply chain and the community. The external enabling environment consists of the nexus of government, advocacy groups, trade associations, business schools and research centers, management consultants, the media, customers, competitors and others who form the corporation's external strategic context. These forces generate numerous "signals" that influence corporate decision-making across core operating functions.

## External Context

The CI Initiative evolved in an environment in which the private business sector began to occupy an increasingly prominent place in national and global development agendas. In the United States, beginning in the 1980s, simultaneous movements toward political devolution, deregulation and privatization have led to the transfer of certain responsibilities from the federal government to local or regional governments and to private business. Trade liberalization, global capital market expansion and the downfall of communism created similar trends on the global stage. These trends have been bolstered by global and national development policies that emphasize market-led growth strategies, and the creation of an enabling environment that allows business to flourish.

As the state has contracted, business, either by default or its own initiative, has become more influential over economies, cultures, social values and civic life. Corporations have grown vastly both in numbers and size, commanding resources on a level sometimes greater than that of national governments. There are 60,000 multinational corporations in the world today. Worldwatch Institute estimates that the world's top 500 corporations now control 70% of trade and 30% of the world's GDP (*Worldwatch Institute, 1999*). Research by the Institute of Policy Studies shows that of the world's one hundred largest "economies," fifty-one are global corporations (*Anderson and Cavanagh, 2000*).

The field of Corporate Social Responsibility or Corporate Citizenship is an important response to the expanding, global corporate presence. Corporate Social Responsibility (CSR), as defined by Business for Social Responsibility, consists of “Operating in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business,” (*Business for Social Responsibility, 2000*). Corporate Citizenship (CC) is a closely related concept. As defined by David Logan of the Corporate Citizenship Company, Corporate Citizenship is “The total impact of business on society,” (*Logan, 2000*). It is important to note that both CSR and Corporate Citizenship extend far beyond corporate philanthropy, focusing deeply on the core operations of the business and the impact they have on society.

Businesses in growing numbers are responding to demands from diverse stakeholders to improve the social and environmental impacts of their activities. Increasingly, governments, particularly in Europe, and multilateral and bilateral institutions such as the UN, World Bank and others, are seeking to engage corporations in tri-sector partnerships to address social and environmental challenges. These efforts are being translated into concrete market-based and, in some instances, regulatory mechanisms that have the potential to broadly affect business practices. Especially for multinational corporations, the overall effect is that Corporate Social Responsibility is gradually being integrated in business management systems rather than being treated as a marginal activity (*Monaghan, Sabater and Weiser, 2003*).

Compared with their European counterparts, the CSR framework operates on a more modest scale among American businesses and is seen as a less important public policy priority by the U.S. government. American businesses, in the majority, still see a more limited role for business in society, and their philanthropy is the primary expression of that role, although the business case for CSR is increasingly heard and understood by American business audiences (*West, 2003*).

The current environment in which U.S. corporations operate both domestically and in developing countries creates both problems and opportunities in the CSR context in general and for Corporate Involvement in community economic development in particular. In the short term, many corporations from diverse industries are stressed financially and responding with substantial layoffs. In such an environment, businesses are less likely to enter new, emerging markets or hire and invest in the education and training of an unskilled workforce. However, the underlying factors that drove corporate decision-making during the last decade are likely to influence corporate practices over the long term. Specifically, the following “drivers” are leading businesses to recognize their strategic interests in working with low-income people and communities:

1. *Demographic changes and globalization have increased the importance of international markets and more diverse workforces and supplier relations.*
2. *A technology- and knowledge-based economy has made improving the quality of the education and workforce training systems a business necessity.*
3. *The saturation of suburban markets has led businesses to see urban and “ethnic” markets as presenting increasingly attractive opportunities for boosting sales revenues.*
4. *Customers, investors, labor unions, communities and other business stakeholders are placing demands on businesses for ethical behavior and practices.*
5. *New federal policies provide incentives for business to locate and invest in low-income communities.*

At the same time, there may be an even more profound set of changes underway that will have a potential impact on Corporate Involvement. At a Fortune magazine conference, “Leadership in Turbulent Times,” held in the aftermath of the September 11th tragedy, Gary Hamel, a leading management consultant, encouraged business executives to recognize that in the long run, “we must bring a greater proportion of humanity into the orbit of economic development,” and argued for a business role in finding solutions to poverty. And over the past several years, U.S. corporate scandals and anti-globalization campaigns have brought trust in business to its all time nadir. In this environment, business itself is challenged to reflect deeply on its role in society (*Hamel, 2001*).

## Ford Foundation Context

The CI Initiative is part of a wider set of programming efforts related to the private sector that have spanned a considerable time frame and includes a range of approaches. The Foundation's attitudes and programming approaches toward the private sector have varied over time — sometimes viewing business as part of the solution, other times as part of the problem. Correspondingly, the Foundation has used both “carrot” and “stick” strategies depending on the problem being addressed.

The CI Initiative was shaped by two major factors. First, it was influenced by the global and national forces that have propelled the corporation into an increasingly influential role in society. Secondly, during the mid-90s, the Foundation underwent a process of reflection concerning the Foundation's global grant making and partnerships on behalf of alleviating poverty and social injustice. The result was the development of an asset-building framework based on a comprehensive view of assets as a broad array of resources that enable people and communities to exert control over their lives and participate in society in meaningful and effective ways.<sup>4</sup>

In contrast to the Foundation's previous income-focused approach to poverty alleviation, the asset-building approach defines assets as enduring resources — financial holdings, natural resources, social bonds and human capital — that individuals, organizations, or communities can acquire, develop, improve or transfer across generations. Income, more narrowly defined, addresses an individual's ability to gain the financial resources needed to thrive on an annual basis. Assets are more durable and are believed to have more profound intergenerational consequences. The programming within the Foundation's Asset Building and Community Development Program, within which the CI Initiative was situated, focused on supporting a variety of organizations that sought to build financial, social, natural resource and human assets in a wide range of settings. The asset-building approach is deeply embedded in the core assumptions and activities of the CI Initiative, which strives to increase all four of these types of assets for low-income people and communities.

## Part Two | The Corporate Involvement Initiative

### *Achievements*

#### The Corporate Involvement Initiative – Achievements

Over the eight years of its activities, the CI Initiative, together with related grant portfolios in the Economic Development Unit, made significant progress in implementing the Initiative's two core strategies, as previously noted. This section provides some of the evidence showing where and how the CI Initiative and related grant portfolios achieved success. It first looks at the CI Initiative's success at demonstrating win-win strategies for creating benefits for both companies and low-income individuals and communities. It then turns to the CI Initiative's success at helping to build the capacity of the CI field.

Our methodology for developing this evidence started with gathering data through an analysis of studies and reports provided by the CI Initiative grantees. We followed up with semi-structured interviews with all the grantees. We then analyzed the grantee activities on a variety of dimensions and used the data on achievement to come to an understanding of what distinguished superior from mediocre performance along each dimension. By holding specific topics and strategies constant, we were able to tease out findings regarding the factors that enabled the grantees to have a greater or lesser impact. We also were able to develop some clarity around causality, although this was often complex, as there were multiple factors simultaneously enabling and dampening Corporate Involvement. Please see Appendix B for a detailed description of the research methodology.

Two caveats should be noted for this discussion. The first is that this assessment is not a formal evaluation of the Initiative. No attempt was made to gather independent data verifying the achievements of individual grantees or the Initiative as a whole. The second is that even though the grant making of the Initiative has drawn to a close, many of the strategies and activities supported by the grants are relatively young in their life-cycle, and are planned to continue for many more years. Thus, the overall impact of the grantees and the activities supported by the Initiative may reasonably be expected to grow over time as the activities and strategies mature.

#### What Counts As Success?

The simplest way of stating the long-term goals of the CI Initiative would be to say that its goals were to increase assets and income for low-income individuals, while at the same time increasing profits for corporations. The clearest measure of success, then, would be to show that because of the activities of CI Initiative grantees, low-income individuals had more assets and income and firms had more profits. There were, however, almost no grants in which one could show that low-income individuals had more jobs and income, and corporations had more profits because of activities of the grantee. Why was this? There were three key reasons:

1. *Field-building grants had outcomes diffused across the entire field.* The Initiative, as noted above, had two key strategies: demonstrate win-win strategies and build the capacity of the field. Grants focused on building the capacity of the field helped to improve the ability of CI organizations to promote, develop and diffuse CI practices. Given the broad nature of this work, it is not surprising that it often was difficult to track the impact of these activities on specific corporations or communities. For example, some grantees received support for creating Web sites that provided information on CI to businesses and individuals. We know that hundreds of thousands of individuals visited these sites — but we have almost no data on what they did with the information after they visited the sites. For many grants similar to this one, it was difficult to develop data on the impact of capacity-building activities on income and assets for low-income individuals, or on profitability for corporations.



2. *Complex systems.* Even in situations where we have good data on improvements in income, assets and profits, the grants were almost always one influence in a complex system. Since none of the grants involved randomized, controlled studies, it can be difficult to attribute causality to the grant alone.
3. *Short time frame for measurement.* Many of the grants involved creating changes that would create positive improvements in the assets of low-income individuals over a number of years. The relatively short time frame over which we measured the results precluded seeing the true impact of these changes. For example, we know that homeownership is one of the most powerful ways of building assets, so increasing the affordability of mortgages for low-income home-buyers is a powerful tool for helping to create assets. But the increase in assets due to homeownership typically takes place over a much longer time frame than the two-to-three years over which the CI Initiative had to measure the results.

To address these difficulties, we relied on an approach that is commonly used in evaluating change in the social sciences - the “Theory of Change” approach. Each grantee was required to specify their “Theory of Change”: what activities the grant would influence and how, specifically, these activities would lead to improvements in income and assets for low-income individuals and profits for corporations. Each Theory of Change specified “intermediate measures” — specific, measurable results that were clearly linked to improvements in the ultimate outcomes we sought.

For example, the partnership between Fannie Mae and Self-Help, mentioned previously, specified that it would increase the ability of low-income individuals to build assets by increasing the access to, and affordability of, home mortgages. This increase in access and affordability would lead to an increase in the number of low-income people who were able to get the mortgages and therefore to purchase homes. Homeownership, over time, has been shown to be an effective method for building assets. The partnership specified that it would improve the profitability of corporations by ensuring that the financial institutions would not suffer unacceptable levels of loan losses. Data developed on the performance of mortgages over time provided evidence that the mortgages would be profitable in the long run. The partnership was then able to provide us with data on the new mortgages, both with regard to how many were issued to low-income individuals, and also on their economic performance. This gave us confidence that the grant was, in fact, enabling low-income individuals to create the potential to build assets, as well as creating the potential for increased profits for corporations.

With regard to causality, we chose as our standard for success that there should be evidence that the grant was a significant factor in creating the changes in the intermediate outcomes. The grant did not have to be the sole cause — it simply had to be an important one. In most cases, we were able to get direct evidence or testimony regarding the relevance of the grant in creating the change, and so we were reasonably confident in our determination of whether or not the grant played an important contributing role in the outcomes observed.

With this approach clearly in mind as the way that we are measuring success, we turn now to the specific objectives that the CI Initiative set out, and look at achievements. We will look first at demonstrating win-win strategies and then at building the capacity of the field.

### **Demonstrate Win-Win Strategies**

The CI Initiative and related portfolios funded a wide variety of grantee activities that sought to demonstrate win-win strategies: specific ways in which businesses can help low-income individuals and communities build their human and financial assets, while at the same time creating economic value for the business. It focused on four areas: financial services, workforce development, regional economic development and enterprise development. The Initiative grantees succeeded in demonstrating specific win-win strategies in each of these areas. The following describes the strategy the Initiative pursued in each of the four areas and lists the most notable successes to date.

- *Financial Services.* The Initiative sought to demonstrate win-win strategies that increased access to mainstream financial services that are needed to build household economic security (Examples 2-1 and 2-2).
- *Workforce Development.* The Initiative sought to change business practices related to employee recruitment, hiring, training, and promotion in order to improve income and economic opportunity for low-income workers (Examples 2-3 and 2-4).
- *Regional Economic Development.* The Initiative sought to engage business collectively in an agenda of regional economic development that is sustainable and equitable (Examples 2-5 and 2-6).
- *Enterprise Development.* The Initiative sought to increase access to markets, capital and other private sector resources necessary to build competitive enterprises that can create good jobs (Examples 2-7 and 2-8).

**Example 2-1**

Fannie Mae Corporation, in partnership with Self-Help (a community development lender), agreed to purchase innovative and flexible mortgage products that enabled low-income individuals to purchase homes. This has led to the issuance of more than \$2 billion in affordable mortgages for low-income homebuyers who previously would not have qualified for conventional mortgages. This enabled them to acquire their own homes, one of the principal means of building financial assets in America.

**Example 2-2**

A coalition of insurers, including State Farm, St. Paul, Travelers Property Casualty and Nationwide, worked with Neighborhood Reinvestment Corporation and the NeighborWorks® network (a national nonprofit organization focused on revitalizing communities) to develop the National Home Safety Partnership, a successful program for increasing home safety and reducing insurance losses. This program was piloted in six cities and served approximately 3,000 individuals. It is being expanded to 24 cities this year. Initial evaluations show that this program both enables the insurance companies to increase the profitable sale of homeowner’s insurance in these neighborhoods and also mitigates the risk for insurers by improving the safety and security of these homes. Both of these help to protect the financial assets and physical safety of low-income homeowners.

**Building The Capacity Of The CI Field**

At the inception of the CI Initiative, the field of Corporate Involvement was in its infancy. The Field Exploration Study conducted in 1995 uncovered a situation full of challenges that needed to be addressed in order to encourage Corporate Involvement in community economic development. The key findings from the report revealed the following:

- *Building Knowledge and Awareness:* There was insufficient capacity for creating knowledge about best practices and resources. Also there were few channels for collecting and disseminating knowledge (such as information clearinghouses, academic centers, journals and management training). As a result, there were significant information gaps about best practices and their impact, and about resources and partners.
- *Integration into Management Practice:* The practice was idiosyncratic. There were many examples of CI but most were not closely linked to business strategy and were not easily replicable.
- *Capacity of Partnering Organizations:* There was insufficient capacity within the community and economic development field to help businesses develop and implement win-win strategies for engaging with low-income communities. Few nonprofits had extensive experience working with business.
- *Business Leadership for the Field:* Business leadership and corporate buy-in were lacking. Few business leaders championed CI as an important strategy for both businesses and communities.
- *Resources for the Field:* There were very little financial and staff resources dedicated to corporate social responsibility or CI.

After eight years of grant making, the situation has improved significantly. While some of the change is due to efforts of other actors and forces, the CI Initiative



grantees have clearly played an important role in building the field of CI, as reflected by the following broad indicators:

- ***Building Knowledge and Awareness:*** The capacity to create practical and theoretical information about the practice of Corporate Involvement has increased dramatically, as evidenced by the many well-established programs and institutions that produce dozens of leading-edge papers, reports and books each year. The capacity to collect and disseminate this knowledge has increased dramatically as well. Membership organizations for corporate citizenship, corporate social responsibility and sustainable development have grown to significant size. For example, in this period, Business for Social Responsibility (BSR) grew from an organization with a hundred or so members to the global organization that it is today, with members having combined sales of approximately \$6 trillion and nearly 6 million employees worldwide. Dozens of consulting practices have sprung up to meet the demand for knowledge and best practices. These include specialized firms such as the Corporate Citizenship Company as well as practices inside well-established firms, such as the Stakeholder Strategies practice within Edelman International (the world's fifth largest public relations firm).

The Foundation's funding often was an early grant in the CI activities of the organization, which helped it to expand its activities, develop partnerships and attract additional funding. For example, the Foundation's three-year grant to BSR enabled it to hire senior staff and keep them focused on building the organization's CI activities over an extended period of time. This was cited by BSR staff as an important contributing factor in BSR's ability to win a multi-million dollar grant that enabled it to build its Web site, which is arguably the premier source of information on CI in the United States today. This anecdote provides an illustration of the way that early and sustained funding can make a far-reaching contribution.

### Example 2-3

Manpower Corporation developed its TechReach program in partnership with community-based organizations. The program provides businesses with a new source of work-ready skilled technical workers while offering a gateway to high-wage technical careers to the unemployed and underemployed. In May 2003, Manpower formed a National Business Partnership with the Department of Labor. This created formal links between Manpower's network of 1,150 offices and nearly all 1,900 of the Department of Labor's One Stop Career Centers. In 2001 and 2002, Manpower placed 1,270 program participants from 45 programs around the nation into information technology jobs. Manpower is now placing approximately 2,000 individuals per year into jobs through its TechReach program. The low-income individuals are gaining marketable and highly transportable skills and increasing their income and employment security. In addition, Manpower has been able to tap a new source of workers to help serve its 400,000 clients worldwide.

### Example 2-4

Two of the nation's largest business associations – the National Association of Manufacturers and the U.S. Chamber of Commerce – have joined with Jobs for the Future, a nonprofit focusing on broadening educational and economic opportunity for all Americans. Together, they created Workforce Innovation Networks (WINs), a program that helps local employer organizations to function as effective labor market intermediaries, aligning supply and demand to better meet the needs of both employers and low-skilled workers. The program was piloted in 9 cities, and has been so successful that it is being expanded to 24 cities across the country.

A typical example of how a local employer organization functions as an intermediary is offered by the El Paso Chamber of Commerce, which funded, developed and operated a one-stop technical training and services center. Over a six-month period, it placed 480 individuals into jobs in local firms. Through this program, low-wage workers have been able to get good jobs, and local businesses have been able to access a pool of work-ready employees that they previously rarely had contact with.

**Example 2-5**

The Bay Area Council is a business organization of 275 major employers that seeks to promote progressive regional public policy. In partnership with community groups, the Council has raised more than \$170 million in investment funds to support business growth, commercial revitalization and brown-field cleanup in 46 of the poorest communities in the Bay Area. This benefits communities by improving their asset base and creating new jobs for residents. It benefits business by creating the support needed to revitalize these markets, leading to increased sales and property values. It also helps to create more “smart growth” in the Bay Area, easing strains on housing, education, transportation and the environment.

There are now a number of journals that focus solely on corporate social responsibility issues, of which CI is an important part. These include CSR Newswire, BSR News Monitor, Ethical Corporation Report and the Journal of Corporate Citizenship. There has been a significant increase in the number and sophistication of news stories, case studies, and reports on CI involvement practices and results. For example, a study by Echo Research of 5,324 press articles on corporate social responsibility (CSR) finds that the number of articles featuring a CSR issue increased by 52% from 2000 to 2001, and by 401% from 2001 to 2002. CI is an important component of CSR and its coverage has increased proportionately (*Ethical Corporation, 2004*).

- **Integration into Management Practice:** The practice of Corporate Involvement has been mainstreamed by business. CI is no longer limited to being the province of a few companies and managers. It is now a regular part of business discussions in many industries and in many corporate core disciplines. Business organizations such as Business for Social Responsibility, the U.S. Chamber of Commerce and the National Association of Manufacturers, for example, have programs devoted to business investment in low-income communities. There are now nearly a dozen well-attended conferences and training sessions focused on this topic each year.

Business has adopted a variety of management tools that assist firms in developing, implementing and evaluating strategies for CI. For example, Social Accountability International, a human rights organization that seeks

**Example 2-6**

Chicago Metropolis 2020 is a business-based advocacy organization that promotes innovative solutions to long-term challenges facing the Chicago region. Its mission is to foster collaborative action to strengthen the economic vitality and quality of life in the six-county Chicago region and to help make the region one of the places in the world where people most want to live and work. Informed by the premise that the most effective growth strategies strengthen all areas and participants within the regional economy, Chicago Metropolis 2020 is working to identify and promote high-leverage development opportunities that align business and community development interests.

One example of an area in which it is promoting this alignment is in affordable housing. Both business competitiveness and quality of life are threatened by the growing disparity between average wages and the cost of nearby housing. Chicago Metropolis 2020 investigated the extent of the ‘jobs-housing mismatch’ in the region and quantified its impact on businesses, people and communities. Based on this analysis, it developed and advocated a 40-point Workforce Housing Action Agenda aimed at helping the region meet the demand for attainable housing. The Agenda calls for local zoning reforms and increased emphasis on building code enforcement and property maintenance by local governments; increased state government assistance and rewards to communities that create a broad range of housing; expansion and improvement of federal programs to increase affordable housing options; and more corporate action to create workforce housing. More than 100 Chicago-area companies have signed up to support the Agenda. And, after intensive lobbying by Metropolis 2020, the State of Illinois began an affordable-housing tax credit that matches the employers’ contributions to affordable housing dollar for dollar. This benefits low-income individuals by increasing the amount of affordable housing. It also benefits businesses because it creates housing that workers can afford that is much closer to the suburban locations where many businesses operate, making it easier for them to attract and retain a stable workforce.

to improve workplaces and communities around the world by developing and implementing socially responsible standards, has developed SA8000. SA8000 is a management system for retailers, brand companies, suppliers and other organizations to assure just and decent working conditions in the supply chain. SA8000 has been used to certify 259 manufacturing facilities in 36 countries, covering 158,000 workers.

CI has been integrated into major corporate social responsibility initiatives and frameworks. CI issues and indicators have been included in such major frameworks as the Global Reporting Initiative, Sustainability and UNEP Global Reporters Framework, and the World Economic Forum's CEO Statement on Global Corporate Responsibility.

- **Capacity of Partnering Organizations:** The CI Initiative's funding has been instrumental in enabling key community and economic development organizations across the United States and abroad to develop the capacity to engage in successful partnerships with businesses. Eight years ago, vibrant alliances between nonprofits and businesses focused on CI were relatively rare. Today most of the leading community and economic development organizations have such relationships and are perceived by business as value-added resources. Examples profiled in this report include the partnership between Self-Help and Fannie Mae, and the partnership between Neighborhood Reinvestment Corporation and the insurance companies participating in the NeighborWorks Insurance Alliance. The experience of the grantees in the CI Initiative has also helped to develop a rich understanding regarding the specific competencies and strategies that are necessary for nonprofits and businesses to successfully collaborate, as discussed later in this report.

#### Example 2-8

The International Business Leaders Forum has built on its experience in connecting multinational and local businesses to create the Business Links Initiative. In this Initiative, the IBLF has mobilized multinational companies to contribute management expertise and training to local enterprises in order to boost business skills and standards. In Indonesia, for example, Indonesia Business Links has 21 multinational corporations as partners. These corporations are providing training and technical assistance to small business owners across Indonesia to help them improve the quality of their products, many of which are purchased by the corporations. The corporations are also providing training in marketing and financial management to the business owners, to help them increase the profitability and stability of their businesses. The benefits to the multinationals are improved quality, reliability and stability of supply sources in Indonesia. The benefits to the small business owners are improved profitability and quality.

#### Example 2-7

TransFair USA helps to support enterprise development among coffee farmers and cooperatives by certifying and promoting Fair Trade coffee. Fair Trade coffees are grown, marketed, roasted and sold in strict compliance with international Fair Trade standards – a fair price, direct trade, access to credit and support for sustainable agriculture. TransFair helps support enterprise development in three ways. First, it audits the global supply chain between participating United States companies and third world farmers, ensuring compliance with Fair Trade standards. Second, it supports its coffee industry partners' efforts to effectively market and promote their Fair Trade products. Finally, it raises consumer awareness to build the market for Fair Trade, ensuring that the model benefits both industry and a growing number of farmers around the world.

These activities have helped to create benefits for both farmers and businesses. Since 1998, TransFair USA's certification of Fair Trade coffee has generated \$45 million of additional income for family farmers, compared to what they would have received under the prevailing international terms of trade. This leads to higher family living standards, thriving communities and more sustainable farming enterprises. TransFair's certification also helps coffee roasters and retailers to differentiate their products and attract new customers. For example, companies offering Fair Trade coffee in both 2002 and 2003 reported average annual sales increases of 125%, at a time when coffee sales overall were only growing at 2% per year globally (*International Coffee Organization, 2004*).

- ***Business Leadership for the Field:*** The commitment of business leadership to Corporate Involvement and institutionalization of the practice within corporations has grown. Gaining the commitment of business leadership to any cause remains challenging in today's competitive business environment as the tenure of the average CEO continues to shrink. Nonetheless, research conducted by the CI Initiative grantees (including Aspen Institute's Business and Society Program and The Conference Board) shows that today's CEOs (as well as business school students — the CEOs of tomorrow) believe that corporate citizenship is essential to a company's long-term success.

A simple measure of the institutionalization of this practice is that the number of businesses reporting on corporate citizenship climbed from 30 to more than 4,000 in five years. The same forces that are propelling the institutionalization of corporate citizenship are also propelling the institutionalization of CI (*Monaghan, Sabater and Weiser, 2003*). There is also data showing that more business schools are integrating Corporate Involvement and social impact management into their curricula. For example, a recent survey showed that a higher percentage of schools (45% in 2003 versus 34% in 2001) required one or more core courses in ethics, corporate social responsibility, sustainability or business and society (*Aspen Institute Business and Society Program, 2003*).

- ***Resources for the Field:*** The level of financial and staff resources for CI have increased, although additional resources are still required. Scores of companies across industry sectors have established new departments charged with corporate social responsibility strategy, while others are beginning to delegate specific CSR related objectives to line managers. CI models have leveraged and attracted increased funding for replication and scaling-up. Several of the grant strategies have proven to be sufficiently successful that they have been able to attract multi-million dollar investments from the U.S. government, the British government, and private funders such as the MacArthur Foundation, Casey Foundation and Mott Foundation. One example is the WINs partnership, which has been able to secure millions of dollars in funding from the Department of Labor to expand its program nationwide. Another example is One Economy, which also has raised millions of dollars and in-kind support to increase its programmatic reach, tapping sources such as the Allstate Foundation, the Ebay Foundation and the Kellogg Foundation. However, resources for the field as a whole, particularly research and advocacy, continue to be in short supply in the United States.

## Part Three | Market Interventions

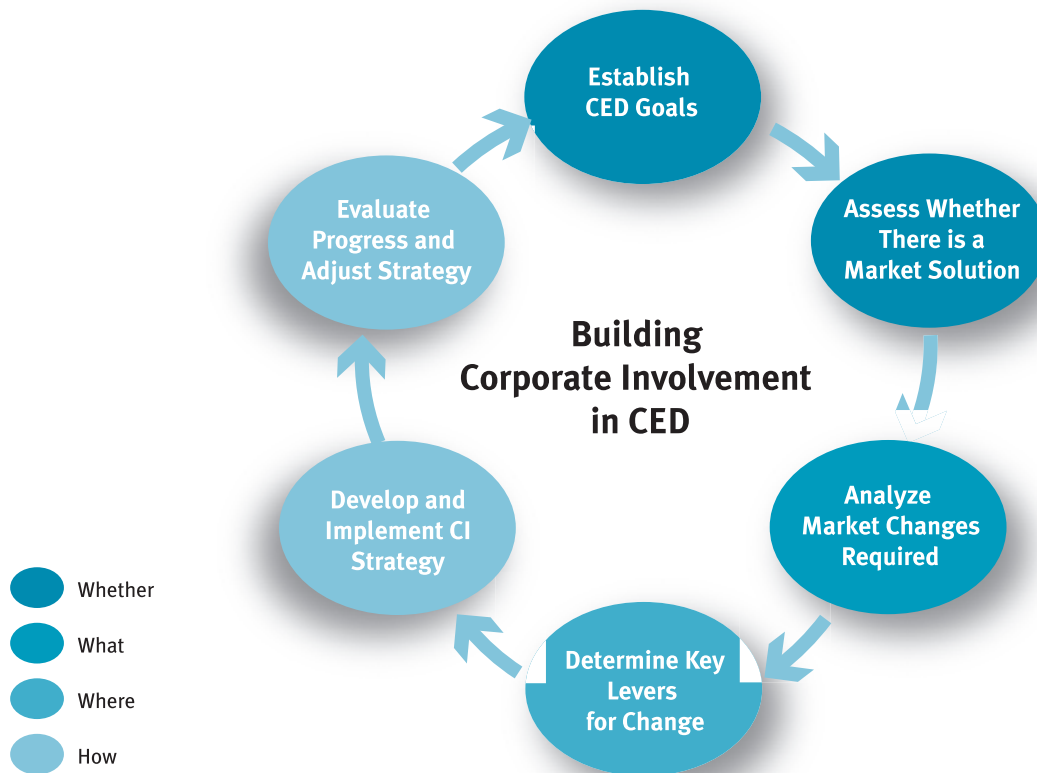
### *Whether, What, Where and How*

#### Deciding Whether CI Is The Right Approach

To build Corporate Involvement, core business operations must change. Who is hired and how are they compensated, which products and services are sold and on what terms, which vendors are used to source goods and services, where corporate investments are made — these are the business decisions that are at the heart of Corporate Involvement. While there are multiple factors that influence these decisions, the primary factor is market conditions. Not surprisingly, the experience of the CI Initiative shows that changing business behaviors in ways that contribute to increased profitability for businesses and increased income and assets for low-income individuals often requires intervening in markets.

In order to develop an effective CI strategy, the grantees needed to decide whether and how to intervene in markets. The range of approaches adopted by grantees to encourage greater CI can best be understood through the following six-step analytical process used to assess market conditions and choose a strategy for implementation.

- I. *Establish CED goals*
- II. *Assess whether there is a market solution*
- III. *Analyze the market changes required*
- IV. *Determine key levers for change*
- V. *Develop and implement CI strategy*
- VI. *Evaluate progress and adjust strategy*



This process is described below along with examples drawn from the practice and research of CI Initiative grantees and their business partners.



## Market Interventions – *Whether*

The first question to address is “whether” — is there a market solution that allows companies to achieve profitable operations and also create benefits for communities?

### Establish CED Goals

The CI Initiative sought to leverage private-sector expertise and resources in ways that benefit business while contributing to large-scale improvement in income and wealth for low-income people. Within this broad field, individual grantees established more sharply defined CED goals — concrete outcomes for low-income individuals and communities that they hoped to attain by engaging businesses. Examples of specific CED goals established by individual grantees include:

- *DreamWorks*: Increase the rate of hiring and promotion of low-income individuals in the entertainment industry by establishing a centralized referral and training source.
- *Doorways to Dreams Fund*: Create access to financial services and build savings of low-income people by lowering the delivery costs for financial services firms through the use of Internet-based account management systems.
- *Local Initiatives Support Corporation (LISC)*: Improve services to neighborhoods and increase wealth building opportunities for local entrepreneurs by supporting the development of locally owned franchises in low-income communities.
- *National Minority Supplier Development Council*: Increase purchasing by major corporations from minority-owned businesses through the development and operation of a national database of minority-owned businesses and through certification, financing and training for minority-owned businesses.

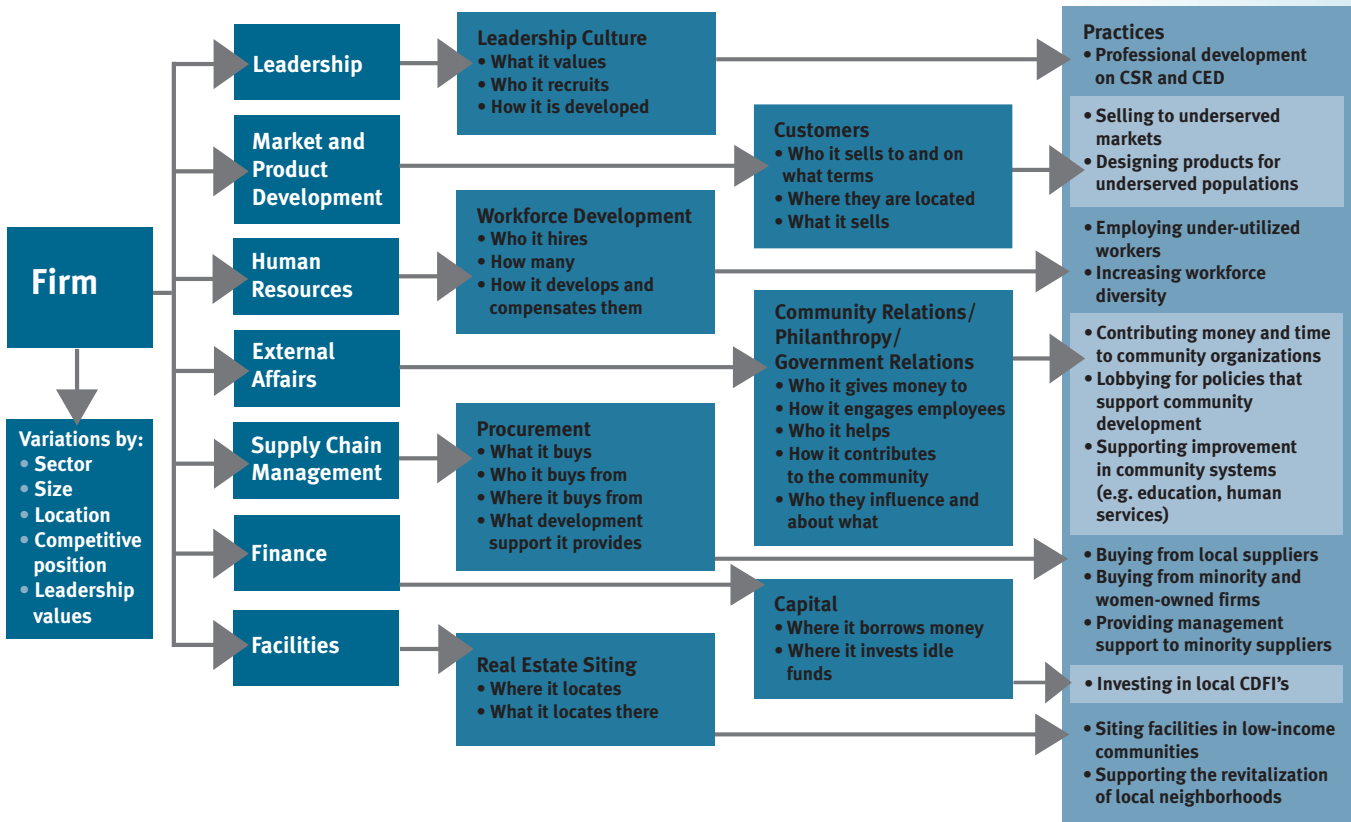
### Assess Whether There Is A Market Solution

Once the grantee has determined what its CED goals are, it then needs to determine whether business operations can, in fact, make a positive impact on these goals. Research and case analysis shows that there are many ways in which business core operations can make a positive impact on the assets and income of low-income individuals, and the community and economic development of low-income communities. This is true for many industries, many functions within industries, and many geographies and communities in which business operates.

The following chart provides a helpful overview of the variety of ways business operations, including leadership, marketing and product development, human resources, community relations, supply chain management, finance and facilities operation, can play an important role in improving outcomes for low-income individuals and communities. Additional examples and case studies can be found on the Win-Win Partner Web site: [www.winwinpartner.com](http://www.winwinpartner.com).



# HOW CORE OPERATIONS CAN CREATE BENEFITS FOR LOW-INCOME INDIVIDUALS AND COMMUNITIES<sup>5</sup>



Once the grantee has determined that core business operations can, in fact, help to attain its CED goals, the next step is to determine why business operations aren't already achieving these goals. What are the barriers that are holding companies back from deploying their operations in ways that help to create income and assets for low-income individuals? To be effective, grantees need to determine what the barriers are, and whether there are strategies for addressing these market barriers and finding market solutions.

## Case Study: WINs

**Description of Organization** Workforce Innovation Networks (WINs) is a partnership of Jobs for the Future (JFF), the Center for Workforce Success of the National Association of Manufacturers (CWS) and the Center for Workforce Preparation of the U.S. Chamber of Commerce (CWP). CWS and CWP are two leading United States business organizations and JFF is a leading advocacy organization devoted to helping youth and adults achieve their goals for family-supporting, upwardly mobile employment, and to helping employers satisfy their needs for a high performing workforce. The NAM represents 14,000 members and 350 member associations serving manufacturers and employees in every industrial sector and all 50 states. The U.S. Chamber of Commerce is the world's largest not-for-profit business federation, with membership including 3,000 state and local chambers, 830 business associations and 92 American Chambers of Commerce abroad.

**CED Problem** The labor market is failing to meet the needs both of low-skill or disadvantaged workers and of employers. Workers are not gaining sufficient access to “good” entry-level jobs that can lead to family supporting careers. Employers cannot find or retain sufficient numbers of qualified entry-level workers who can be fully productive at the workplace and be advanced as older, experienced workers move up or retire. This is being driven in part by a fundamental change in the structure of work. The older mechanisms of long-term employment with one employer, which made internal training and career ladders practical, have withered away. Unions, whose training and apprentice programs provided external career ladders for many workers, have declined in power and size. Additionally, small- and medium-size businesses, which are an important constituency for the NAM and Chamber, do not have the internal HR resources to manage the recruitment and training of employees. Finally, the public workforce development system, which has historically focused on training workers so that they could achieve self-directed learning goals, has not maintained a clear connection to the trends and needs of employers.

**Market Barriers** The key barrier in the market is at the market operations level. The lack of well-operating mechanisms for connecting low-skill workers with appropriate training and jobs is a critical flaw in the market structure. The result is that low-skill workers don't know where “good” jobs are available, nor do they know what training and skills are required to get and hold those jobs or to move up the career ladder. Employers likewise do not know where workers with appropriate skills can best be found, nor are they aware of support that can be made available for training and retention of these workers.

**Grantee Strategy** The WINs partners are focusing primarily at the market operations level, working to help employer organizations function as effective labor market intermediaries, aligning supply and demand to better meet the needs of both employers and low-skill workers. These employer organizations include local Chambers of Commerce, local and regional associations of businesses, and regional and national industry associations.

Although the key market barrier is at the market operations level, the employer organizations find that it is necessary to work at all three levels of the market to ensure that their strategy can be implemented successfully.

The most important activity takes place at the market operations level. Here, employer organizations are serving as information intermediaries, aggregating information about employer demand for employees for use by training and placement organizations, and developing, testing and disseminating best practices. They are also helping to improve the functioning of the workforce system by pushing for standards of performance, accountability and continuous improvement. This is critically important to ensure that the activities of the training and placement organizations are aligned with the needs of the employers and workers.

At the level of the individual firm, the employer organizations are providing or brokering services for individual employers, helping them to find employees, train them and retain them. At the level of the market environment, the employer organizations are improving education, training and supportive services – elements of the labor market environment. By improving these elements of the labor market environment, the employer organizations are helping to improve the supply of trained and job-ready employees. Working on all three levels helps ensure that workers have the right training, are connected to the right jobs, and are hired and retained by businesses.

**Results to Date** WINs initially focused on employer associations in nine cities. Because of the promise demonstrated by this approach, the WINs project has been expanded with a grant of approximately \$4.5 million from the United States Department of Labor to 24 cities across the country. Other funders have included the Annie E. Casey, C.S. Mott and John D. and Catherine T. MacArthur Foundations. A typical example of how a local employer association functions as an intermediary is offered by the El Paso Chamber of Commerce, which funded, developed and operated a one-stop technical training and services center in El Paso. Over a six-month period, it placed 480 individuals into jobs.

Another example is the National Association of Manufacturers' affiliates' help to employers to make the early experiences of employees more welcoming and supportive, including basic education, ESL, jobs skills training and case management services. They have done this in 15 companies for over 700 incumbent workers.

For example, NAM worked with the South Florida Manufacturing Association (SFMA) and the Andrx Corporation to identify sources of funds for incumbent worker training. Andrx management initially felt that training for its workforce (many of whom are low-wage) would not be cost-effective, and therefore was reluctant to provide it. But SFMA helped Andrx find and apply for funding from Florida's Employed Worker Training Fund. Andrx was willing to match the state funds, enabling the training of approximately 1000 of Andrx' employees. This training has led to both increases in productivity and to improvements in retention.

## Case Study: TransFair

**Description of Organization** TransFair USA, a nonprofit organization, is the only independent, third-party certifier of Fair Trade imports in the United States. Fair Trade is a certification process that assures that producer cooperatives for coffee beans (and other commodities) received a fair price for their produce. The mission of TransFair USA is to empower disadvantaged producers, as well as consumers and businesses in the United States, through direct and equitable trade.

**CED Problem** The pricing of coffee beans in the international market does not provide coffee farmers with enough income to permit a sustainable livelihood and to promote sound agricultural practices. This is due in part to the dramatic drop in coffee bean prices in the international markets and the relatively little bargaining power that small farmers have in setting the price of coffee.

**Market Barriers** One important barrier in this market was at the market environment level. There was no mechanism in the international market for coffee beans that would enable consumers to distinguish between coffee that was purchased on terms that would provide a sustainable livelihood to producers and coffee that was not. Accordingly, there was no way for U.S. coffee importers and retailers to recover the higher costs of purchasing beans on terms that would provide a sustainable livelihood to producers. There are also barriers at the market operations level and firm level, as noted below.

**Grantee Strategy** Fairtrade Labeling Organizations International (an international consortium of which TransFair USA is a member) has developed an internationally accepted standard with clearly defined criteria identifying coffee beans sold on a Fair Trade basis. TransFair USA's Fair Trade Certified label is the consumer's guarantee that the farmers who grew their coffee received at least \$1.26/pound (currently, a 75-100% premium above prevailing market prices), traded directly with importers and roasters in the United States, and had access to credit and support for sustainable agriculture.

Although the key barrier is at the market environment level, TransFair is working at all three market levels to implement its strategy. The fact that TransFair has had to work at multiple levels in order to successfully implement its core strategy was not unusual. In our research, we found that many grantees pursued multiple interventions at multiple levels in order to assure success.

At the level of the market environment, TransFair raises consumer awareness to build the market for Fair Trade, ensuring that a growing number of farmers can benefit from this model. It also participates with Fairtrade Labeling Organizations International to build and maintain support for Fair Trade standards.

At the market operations level, TransFair USA is serving as a new market intermediary. It provides certification services to all businesses in the market seeking to buy and sell Fair Trade Certified coffee. It does this by auditing each transaction between TransFair licensees and Fair Trade producers to assure that it meets Fair Trade standards. Companies pay TransFair USA for this auditing service (\$0.10/pound). Once their transactions are found to meet standards, they are then licensed to display the trademarked Fair Trade Certified label.

At the level of the individual firm, TransFair USA helps the companies it certifies promote their Fair Trade products. It also educates businesses about the benefits of providing Fair Trade products and builds business leadership in support of this approach.

**Results to Date** TransFair USA certified 1.9 million pounds of coffee in 1999, its first full year of operations. By 2002, the annual volume had grown to 9.7 million pounds, and to 12 million pounds in 2003. The number of companies offering Fair Trade certified products in the United States has grown from 33 in 1999 to 160 in 2002. TransFair USA is now certifying coffee for such companies as Green Mountain Coffee, Starbucks, Sara Lee and Dunkin' Donuts. In six years, TransFair USA's certification of 55 million pounds of Fair Trade coffee has generated an additional \$45 million of additional income for family farmers, compared to what they would received under the prevailing international terms of trade (*TransFair USA, 2004*). TransFair USA's certification has helped coffee companies to differentiate their products in a highly competitive market and gain sales. For example, companies offering Fair Trade coffee in both 2002 and 2003 reported average annual sales increases of 125% at a time when coffee sales overall were only growing at 2% per year globally (*International Coffee Organization, 2004*).

## Market Interventions — *What*

### Analyze The Market Changes Required

This leads to one of the key questions — the “what” of market intervention. What are the changes that are required in the market in order for companies to achieve both profits and CED goals?

#### Market Alignment

One of the critical frameworks developed by the research team in collaboration with grantees was the concept of “*market alignment*.” This framework provides an analytic tool for determining the appropriate market intervention in a range of market circumstances. Market alignment is defined as the extent to which the existing market structure<sup>6</sup> enables businesses to profitably provide services and products or employ labor in ways that build income and assets for low-income individuals. Market alignment measures the convergence (or divergence) between market goals and CED goals. If market goals and CED goals are well aligned, businesses generate CED outcomes (jobs, housing, wealth, etc.) for low-income individuals as they pursue profitable strategies in the market. If market goals and CED goals are poorly aligned, businesses that pursue profitable strategies typically do not generate CED outcomes.

Measuring the degree of alignment between the market and CED goals requires conducting an economic and business analysis of the goods and services provided in the market. The grantee must develop an analysis both of which business activities (sales, investments, hiring, siting, etc.) are profitable, and which business activities create significant CED benefits. The degree of overlap between these two groups of activities determines the degree of alignment.

#### Market Barriers

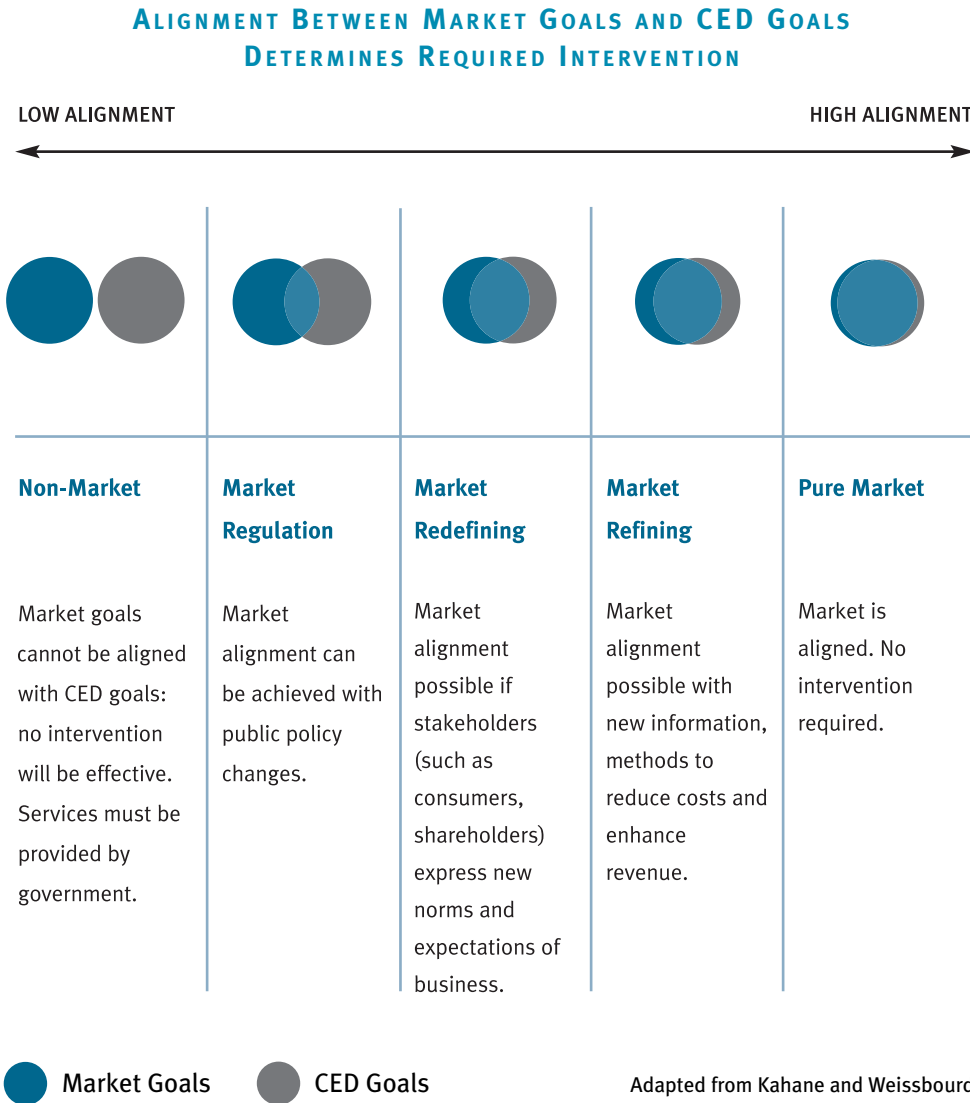
Once the grantee has analyzed the economics of the market and understands the degree of alignment, it is critical to then turn to an understanding of the specific market barriers that are causing the lack of alignment (or helping to create better alignment). There are a wide variety of market barriers that can contribute to poor alignment between market goals and CED. The following is an illustrative list:

- *Information*
  - Misperceptions of risk
  - Lack of adequate information or inadequate means of getting existing information to all market parties
- *Production costs and pricing*
  - High costs for serving market segment due to its size
  - High levels of industry concentration or outright monopolies
  - Ability of businesses to externalize social costs of their activities
- *Consumption preferences*
  - Lack of market mechanisms to integrate preferences of firm stakeholders
  - Low business interest in market segment because of low purchasing power
- *Organizational culture*
  - Cultural biases and prejudices
- *Market environment*
  - Poor business operating conditions (political instability, lack of infrastructure, poor factors of production)

#### Continuum Of Alignment

Market alignment varies along a continuum, where different types of market barriers become more salient, and different types of corrective interventions are required to bring the market into greater alignment.<sup>7</sup>

These different points along the alignment continuum are shown in the diagram below.



Determining where a market falls along this continuum helps grantees decide both whether a market solution is possible and what type of intervention is required.

The following describes the continuum of market alignment, market barriers and potential responses:

**Pure Market:** Perfect alignment. No “corrective” interventions are required. Businesses pursuing profits generate jobs and income for low-income individuals. (See Example 3-1)

**Market Refining:** Modest misalignment due to low margins/high production costs, high transaction costs or lack of appropriate information. Alignment between CED goals and market goals can be attained if businesses are provided with new information, lower cost ways of reaching customers and improvements in labor productivity. These approaches help reduce costs, mitigate actual or perceived risks, or expand revenue potential, thereby bringing the market into greater alignment. (See Example 3-2)

**Example 3-1**

**Manufacturing.** One example of a well-aligned market is the machine tool manufacturing labor market. When machine tool manufacturers pursue business strategies that create profits and business growth, they generate jobs for individuals who often don’t have college degrees, and these jobs have a career path leading to family-sustaining wages.

**Example 3-2**

**Social Compact.** Social Compact is a coalition of industry leaders who have joined forces to promote leadership for, and investment in, underserved neighborhoods. Social Compact has pioneered the Neighborhood Market Drill Down, a market analysis model built on innovative sources of dependable, business-oriented data that reveal the hidden strengths of traditionally undervalued communities. This unique model builds on the expertise of over 20 diverse brand industry leaders and integrates two-dozen information sources (commercial, proprietary and public). The result is 45 building blocks that can be assembled to create a reliable profile for assessing the market strengths of specific neighborhoods.

For example, Social Compact analyzed the Columbia Heights community in Washington, D.C., using these building blocks. Their research showed that this market is far larger than standard information would suggest: a total household income of \$1.4 billion using their measures vs. \$851 million using standard measures. By underestimating the market potential, standard information provides a poor basis from which to make investment decisions.



**Example 3-3****Social Accountability International.**

Social Accountability International (SAI) is a human rights organization that seeks to improve workplaces and communities around the world by developing and implementing socially responsible business standards. To fulfill its mission, SAI convenes all key stakeholders to develop consensus-based voluntary standards; accredits qualified organizations to verify compliance with standards; and, promotes understanding and implementation of such standards worldwide. SAI has developed SA8000, a tool for retailers, brand companies, suppliers and other organizations to assure just and decent working conditions in the supply chain. SA8000 has been used to certify 259 manufacturing facilities in 36 countries, covering 158,000 workers. It has been adopted by major international brands such as Toys ‘R’ Us and Coop Italia. This standard helps consumers identify and purchase products that have been made by businesses that promote and support safe and humane working conditions.

**Example 3-4**

**Pension Rights Center.** The Pension Rights Center is a consumer organization dedicated to protecting and promoting the pension rights of American workers, retirees and their families. One of the key issues that the Pension Rights Center is currently working on is the legislative barriers to meaningful implementation of pension plans (such as 401(k) plans and SEPs) that are offered by small businesses. If these barriers can be removed, and new forms of these plans can be developed that are attractive to small business, this may lead to a major improvement in the retirement security for the low-income workforce. This reform could bring pension plans to thousands of workers who are not currently covered by them.

**Market Redefining:** More serious misalignment due to shortfalls in consumer demand, social costs that are not internalized, inadequate mechanisms for regulation of global businesses, and highly complex supply chains. Market alignment can be achieved when influential stakeholders such as consumers or shareholders express new preferences that reflect changed societal norms and expectations about business, such as environmental protection. This may be achieved through creation of new global business standards, voluntary codes of conduct and higher degrees of transparency advocated by stakeholders of the firm (i.e. employees, consumers, investors, competitors, NGOs, etc). (See Example 3-3)

**Market Regulation:** Market structure is significantly out of alignment with CED goals. There are serious shortfalls in profitability, consumer demand, capital supply, or other key market elements. To align the market requires public policy changes such as new regulations, financial incentives, tax regimes, penalties for non-compliance and more vigorous enforcement of existing laws. (See Example 3-4)

**Non-Market:** Complete misalignment. There is no discernible way to align market goals and CED goals. The only way to provide these products and services is through their direct delivery by government.

## Market Interventions — Where

### Determine Key Levers For Change

The analysis of market alignment indicates what changes need to occur in a market to enable businesses to pursue activities that are both profitable and build income and assets for low-income individuals. The analysis of levers for change reveals where in the market efforts need to be focused (i.e., which elements of market structure must be addressed in order to overcome market barriers).

### Three Levels Of The Market

In order to know where to intervene, the team’s research and analysis showed that it is helpful to dissect the market structure into three levels: firm, market operations and the market environment.

The *firm level* is focused on individual businesses. This includes all aspects of how individual businesses are organized, managed and operated, including business strategy, management and leadership, organization and production, compensation and HR systems, and information infrastructure.

The *market operations level* is focused on interactions between businesses and consumers, or businesses and businesses, such as the costs of acquiring customers and completing transactions; the aggregation and dissemination of price, supply and demand information; the production costs associated with serving particular market segments using particular technologies and the like.

The *market environment level* encompasses the web of institutions, regulations, laws and social expectations that support and surround the market, and provide

the context for all market interactions. This includes formal regulation, voluntary standards, business law and courts, economic and social infrastructure, and stakeholder expectations and actions.

### Market Alignment Determines Levels For Intervention

Dissecting the market into levels helps make evident the connection between the degree of market alignment and the levels of the market that are most important to address.

No matter what the degree of alignment, it is usually important to do some work at the firm level, providing new information to businesses and pushing for business leadership in support of the changes at the other levels.

However, whether to intervene at the market environment level or the market operations level varies in most cases with the degree of alignment. In markets with low alignment, where the gap between market and CED goals is wide, changing the market environment is typically more important. In order to move businesses toward pursuing strategies that create CED benefit, it is usually necessary to change the rules under which they operate, such as regulations, or voluntary standards, or to change the financial incentives driving them including subsidies, taxes and consumer preferences.

In contrast, in markets with relatively high levels of alignment, products and services that produce profits are quite similar to those that produce high levels of CED benefits. Here, grantees typically focus on refining the market operations level through activities such as improving products and reducing exchange and other costs.

### Market Barriers Differ At Each Level

Once the grantee focuses on the specific market level to be addressed, another key insight that this way of dissecting the market helps to generate is that *market barriers differ at each level*. Different issues come into play at each level of the market, enabling and impeding CI.

- *Firm*: Market barriers at this level typically have to do with the way individual businesses operate, including the information they have, their values and culture, and their products, services and strategy.
- *Market Operations*: Market barriers at this level emerge out of the way businesses, customers and suppliers interact in the market, such as the total supply or demand for a product at a particular price, the costs of transactions, and methods of aggregating and disseminating information.
- *Market Environment*: Market barriers at this level arise from external forces that shape the market. Market barriers can arise from flaws in public policy and regulation, failure to account for stakeholder concerns and lack of voluntary industry self-regulation. They can also arise from poor business operating conditions (e.g., political instability, lack of infrastructure or poor factors of production).

#### Example of the Firm Level:

##### Business for Social Responsibility (BSR).

BSR is a grantee that focuses its activities primarily on the firm level. Founded in 1992, Business for Social Responsibility (BSR) is a global organization that helps member companies achieve success in ways that respect ethical values, people, communities and the environment. BSR member companies have combined sales of approximately \$6 trillion and nearly 6 million employees worldwide. BSR addresses the levers of “leadership” and “information” through annual conferences, publications and its global information clearinghouse. These activities help build global business awareness of best practices in corporate social responsibility. It addresses the lever of “products, services and operating practices” through its industry sector working groups, which use a peer based action-learning approach in the agriculture, mining, financial services and retail industries to test new business practices that promote economic development globally and provide replicable leadership models. These practices help businesses overcome a range of market barriers, especially the high cost of acquiring information about, and identifying, best practice and value-added resources for businesses engaged in CI.

LEVELS AND LEVERS FOR CHANGE IN BUSINESS BEHAVIOR



**Levers For Change In The Market**

Each of the market barriers responds to specific “levers for change” — the part of the market or business structure that controls or is responsive to this barrier. The levers for change are where the grantee needs to focus its efforts for change. The levers for change in each level of the market can be summarized as follows:

**Firm Level:** *Motivations, Incentives, Risks and Profits for Individual Businesses*

The primary levers for change at the level of the individual firm are as follows:

- *Leadership:* Management awareness, interest and commitment to CI
- *Organization and operations:* How the firm is organized and operated, including corporate governance, management reporting systems, compensation systems, training, promotion and retention, and location
- *Values, culture and operating assumptions:* The way that the firm defines its corporate values, its culture and the way that it interacts with the market
- *Information:* Information about the availability, costs and benefits of CI
- *Products, services and operating practices:* Development and scaling-up of profitable products and services or productivity-enhancing operating practices that build income and assets for low-income individuals
- *Networks and partnerships:* Creation of networks and partnerships (with other businesses, NGOs, public sector) that build trust, connections and opportunities for CI.

**Market Operations:** *Costs, Revenues and Risks Common to All Industry Players*

The primary levers for change at this level are:

- *Production:* Industry-wide costs of labor, capital and materials; production methods and efficiencies of all industry players; overhead costs associated with specific markets

- *Exchange*: Transaction costs associated with labor, capital or goods markets, including finding costs, measurement costs, selling and distribution costs and processing costs.
- *Consumption*: Consumers' income available to purchase specific products or services; effective consumer demand (e.g., consumer tastes, whether or not consumers are willing to purchase and how much they are willing to pay).

**Market Environment: *The Rules of the Game***

The primary levers for change at this level are:

- *Regulations and taxes*: Global, federal, state and local policies, regulations, tax regimes and financial incentives
- *Voluntary industry standards and initiatives*: Norms and standards created by industry associations or standard-setting bodies
- *Infrastructure*: Education, housing, health care, transportation, finance, communications, etc.

In order to provide a more detailed picture of how grantees develop strategies to address particular community economic development (CED) problems and market barriers, we are presenting two case studies. Both have developed a strategy that addresses problems at one or more levels in the market. Both case studies describe the community economic development problem and the market barriers, and then note the grantee's strategy and its results.

**Example of the Market Environment Level:**

**TransFair USA.** Coffee is an international commodity, with prices for growers set by major international purchasers of beans. The recent slump in coffee prices has highlighted the fact that many of the growers of beans, especially small family farms, are facing economic ruin. TransFair USA, whose activities are profiled in a sidebar case study earlier in the report, is a member of the Fair Trade labeling movement, which is addressing this problem by creating a new industry standard: Fair Trade Certified. All coffee purchased under this standard must meet the following requirements:

1. The farmer was paid a fair price (currently \$1.26 per pound, which is 75-100% above current world prices)
2. The farmer traded directly with importers and roasters in the country where the coffee is consumed
3. The farmer has access to credit and support for sustainable agriculture

This standard was developed and is maintained by Fairtrade Labeling Organizations International (FLO), a consortium of Fair Trade organizations in Japan, Canada, the United States and 17 European countries. FLO makes annual inspection visits to producer groups on its Fair Trade register to ensure that the benefits of Fair Trade are reaching producers. In addition to ground-level inspections, FLO inspectors review financial documents and Fair Trade transactions of each producer group. This ensures that the financial benefits are flowing through to the farmers, essentially all of whom are low-income individuals in developing countries.

This new international standard has enabled coffee companies to differentiate coffee that is Fair Trade Certified from coffee that is not. Coffee companies are able to increase sales and profits by marketing Fair Trade Certified coffee, while at the same time helping to improve the income of coffee-producing farmers. The growth in Fair Trade Certified coffee and other products has been dramatic, rising from 25,972 metric tons in 1997 to 83,490 metric tons in 2003 — a growth of 320% over 7 years (*Fairtrade Labeling Organizations International, 2004*).

**Example of the Market Operation Level:**

**Doorways to Dreams (D2D).** D2D is a grantee that focuses primarily on levers at the market operations level. D2D is a national financial services nonprofit organization developing new ways to offer financial services to traditionally underserved households by forming innovative partnerships among financial service firms, technology firms, government programs and traditional nonprofits. More than 10% of the U.S. population is unbanked, in part because the costs of providing financial services to them far exceeds the revenues that can be derived — if services are provided as they are currently. D2D focuses on the “exchange” and “production” levers. It has created a Web-based record keeping, financial transaction and product delivery system for Individual Development Accounts (IDAs)<sup>8</sup>. This innovative new production system significantly reduces the costs to banks of promoting, administering and managing IDA programs. It offers banks the potential to significantly increase profitable sales of IDAs, mutual funds and financial services to low-income households. It helps banks overcome the market barrier that can be created by high costs for reaching, screening and servicing low-income customers. D2D has developed a national program to promote savings using this product, partnering with SunGuard Bank, FleetBoston Financial, Allston Brighton CDC and Catholic Charities of Santa Clara County, and will be rolling out its product this year.



## Market Interventions — How

### Develop And Implement CI Strategy

The analysis of market alignment indicates *what* barriers need to be overcome. The analysis of key levers for change reveals *where* in the market efforts should be focused. Following these determinations, the focus is on *how*. How can organizations such as the CI grantees intervene to make the appropriate changes at the right market levels? In other words, how can the organization move the lever identified?

Although there are a myriad of ways for organizations to move levers, we have grouped them into five broad types of strategies:

1. Create awareness, interest and leadership within the business sector
2. Develop new information, products and networks
3. Address organizational and cultural barriers with management tools and change strategies
4. Create new market mechanisms
5. Organize for collective action and public policy

When we initially started our research, we thought that there would be a clear link between specific strategies and specific levers. For example, the levers for change at the market operations level are the costs, revenues and risks common to all industry players. We thought that Strategy #2: “*Develop new information, products and networks*” would be the key strategy for moving this lever. The reality proved to be much more complex. What we found was that effectively moving a lever required multiple strategies, often implemented by multiple actors.

The work of the Neighborhood Reinvestment Corporation (NRC) and the NeighborWorks Insurance Alliance (NIA) provides an example of how moving a lever requires multiple strategies. The goal of their work was to increase the affordability and profitability of insurance in inner-city neighborhoods. The alignment of this market was what we have termed “Market Refining” — the market was not perfectly aligned, but could be aligned well if the participants could find new ways of reducing costs. The level for action was “Market Operations” and the lever was “Production Costs.” If NRC and the NIA could find ways to reduce costs and disseminate these findings, they could improve the alignment and enable insurers to expand both affordability and profitability of homeowners insurance in this market.

Three strategies, working together, were needed to move this lever. The first was Strategy #2: “*Develop new information, products and networks*.” NRC and NIA demonstrated new ways to make homes safer and reduce insurance losses through their National Home Safety Partnership. Since insurance losses are typically 65% of an insurer’s total costs, this was a very significant way to improve affordability and profitability. The second was Strategy #5: “*Organize for collective action and public policy*.” A number of organizations, separate from NRC, were pursuing regulatory action that would require insurers to meet certain minimum standards for sales to inner-city neighborhoods (similar to the Community Reinvestment Act requirement for banks). This put pressure on insurers to show that they were making progress on improving the affordability and sales of insurance in these neighborhoods. The third strategy, employed by NRC and by national insurance industry associations once the results of the pilot projects started coming in, was Strategy #1: “*Create awareness, interest and leadership within the business sector*.” NRC and other organizations published reports, developed Web sites, placed articles in industry journals and hosted panels at industry conferences, showing how the National Home Safety partnerships were benefiting both industry and community. This helped to spread the approach beyond the five initial test sites. All three of these strategies, together, helped to spread the approach from the initial five sites to twenty-five.

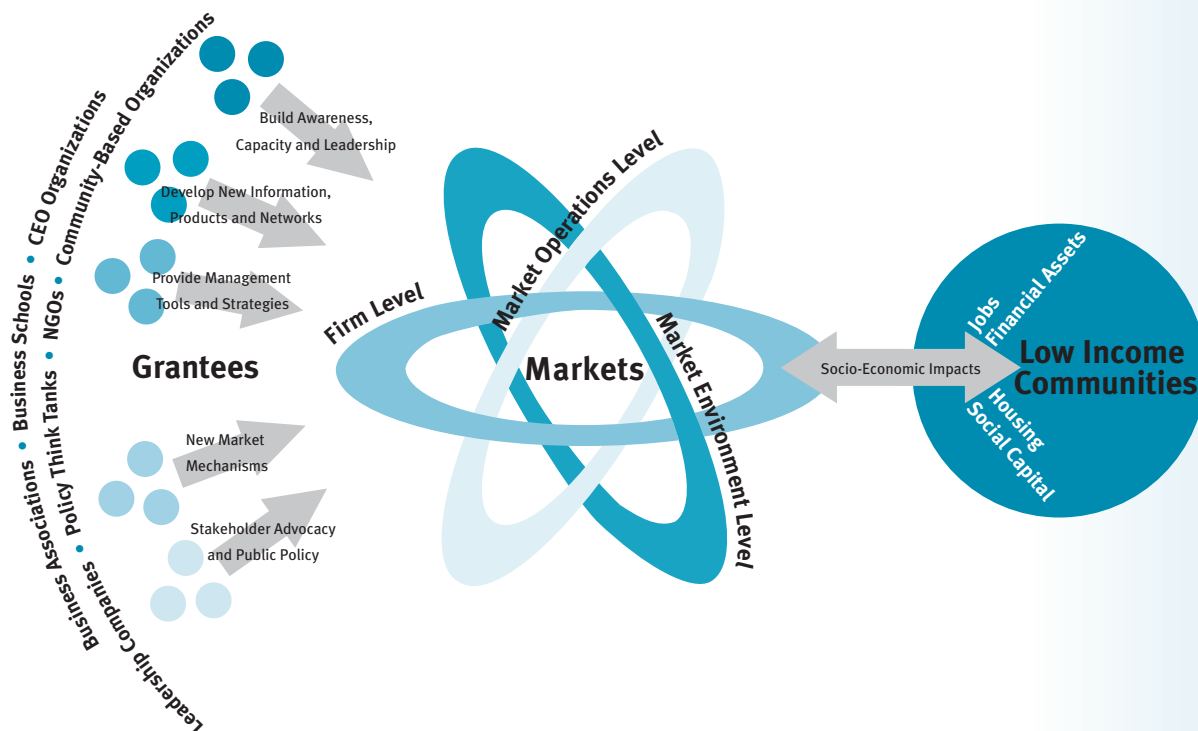


Not only do some levers require many strategies, there are some strategies that can be applied productively to a wide range of levers. For example, Strategy #1: “Create awareness, interest and leadership within the business sector” was used as a part of moving almost every lever. Sometimes this was done by the grantee, and other times by other actors in the field. Other strategies, such as Strategy #4: “Create new market mechanisms” were used for only a few levers, particularly those associated with market barriers at the market operations level.

So how does a grantee decide which strategy or strategies to pursue? The experience of the CI Initiative shows that the choice of strategy by grantee depends on three factors. The first is the specific market barrier that is being addressed and the strategies that are required to move that lever. The second is the strengths and assets of the organization engaging in the intervention and the strategy it is best suited to undertake. The third is the institutional context — the set of institutions already working on moving this lever and the strategies they are employing. The CI grantee needs to both understand clearly what is needed to move the levers associated with that barrier and which other institutions are already working to help move those levers. It has to understand what its unique contribution could be and how to implement it well. Based on all of these factors, it can then decide which strategy to choose. It is worth noting that many of the CI grantees pursued more than one strategy, sometimes simultaneously, sometimes sequentially, and sometimes in partnership with other organizations.

The interaction between markets, low-income communities and strategies is diagrammed in the following chart.

### GRANTEES, STRATEGIES, MARKETS, AND COMMUNITIES



In the following paragraphs, we review each of the five strategies and provide examples of grantees that have implemented the strategies.

*Strategy 1. Create awareness, interest and leadership within the business sector*

Grantees pursuing this strategy address barriers created by insufficient knowledge of CED within the business sector. Barriers may include a lack of strong business case information about profitable opportunities in low-income communities; perceptions that low-income communities are irrelevant to core business strategy; absence of trust in sources of information about low-income communities; or, a belief by middle management that senior business leaders are not interested in these issues. To address this barrier, grantees provide information and learning experiences to decision-makers in businesses, nonprofits and government. Typical activities include:

- Conduct research and gather data on successful examples of CI
- Disseminate information through conferences, books, articles, Web pages, business media and tools
- Create forums to organize and galvanize leadership to support increased CI

The potential impact of this strategy is to increase the number of business decision-makers that understand that CI can help companies achieve their goals, and that are willing to act in support of CI. As noted previously, most of the grantees working on creating awareness, interest and leadership in the business sector were not able to track direct changes in business behavior that resulted from providing increased information. The two examples (Examples 3-5 and 3-6) instead will note media coverage and dissemination results as indicators of impact.

*Strategy 2. Develop new information, products and networks*

Grantees pursuing this strategy address the market barriers caused by the fact that, for the vast majority of businesses operating in the market, products and services that build income and wealth for low-income individuals fall somewhat short of being profitable enough to meet corporate hurdle rates. To address this barrier, grantees develop new products and services and create business networks that enable businesses to deliver these products and services profitably. Specific activities include:

- Develop, test and scale up new products, services, operating practices and systems that enable businesses to serve the low-income market profitably

**Example 3-5**

**Aspen Institute's Business and Society Program.** The mission of the Business and Society Program (BSP) at the Aspen Institute is to increase the supply of business leaders who understand – and seek to balance – the complex relationship between business success and social and environmental progress. BSP uses multiple approaches to achieve this end. One approach is to support a focus on social issues in business school education. To this end, its activities include the development of caseplace.org, a unique Web resource that lists hundreds of cases that business faculty can use to incorporate social issues management into business education; Beyond Grey Pinstripes, a bi-annual report highlighting and comparing the most innovative MBA programs and faculty incorporating environmental and social impact management into the business school curriculum; and, Where Will They Lead?, a multi-year longitudinal study of MBA student attitudes toward the role of business in society, and how these attitudes are shaped by business school education. BSP's reports have gained wide media coverage, including stories in The Wall Street Journal, Business Week, Time and Harvard Business Review. Its focused attention has been one factor in the increase in percentage of business schools that require one or more courses in ethics, corporate social responsibility, or business and society, which rose from 34% in 2001 to 45% in 2003.

**Example 3-6**

**Corporate Citizenship in the New Century (The Conference Board).** The Conference Board creates and disseminates knowledge about management and the marketplace to help businesses strengthen their performance and better serve society. Recently it conducted a survey (in partnership with the Asian Institute of Management, Instituto Ethos de Empresas e Responsabilidade Social and the Prince of Wales International Business Leaders Forum) of business executives at more than 700 businesses across the globe to determine their concerns, interests and attitudes regarding corporate citizenship. The Conference Board found a distinct set of attitudes and needs at each level and developed specific responses and tools commensurate with those needs, which it published in its report, Corporate Citizenship in the New Century: Accountability, Transparency, and Global Stakeholder Engagement. One measure of the success of this effort is that a number of its report's recommendations have been adopted by the World Economic Forum and placed into its CEO Statement on Global Corporate Citizenship, which is arguably one of the most important public statements on this topic.

- Create new networks/partnerships of businesses and nonprofits that build trust, connections and opportunities for increased engagement in CI and help support and scale up successful examples of these approaches

The potential impact of this strategy is an increase in the number and scale of businesses that profitably provide services and products or employ labor in ways that build income and assets for low-income individuals. (See Examples 3-7 and 3-8)

**Strategy 3.** *Address organizational and cultural barriers with management tools and change strategies*

Grantees pursuing this strategy address the organizational and cultural barriers that prevent business from engaging and institutionalizing CI. Organizational barriers can include reporting and compensation arrangements that do not support CI, and information flows that prevent the company from seeing opportunities in CI. Cultural barriers can include faulty assumptions or prejudices about low-income individuals and markets and ways of interacting with customers that prevent a corporation from being successful in low-income markets. Grantees provide management tools and change strategies to address these barriers, including new approaches for reporting and compensation, improved information systems, diversity training and assistance in managing cultural change. The potential impact of these approaches is to reduce the organizational and cultural barriers that prevent a commitment to CI, leading to an increase in CI programs, products and services. There is some overlap between this strategy and Strategy #1: “Create awareness, interest and leadership within the business sector.” The key distinction between them is that Strategy #1 focuses on getting companies better information about CI opportunities, while this strategy focuses on organizing the company and changing its culture so that when it gets that information, it can take the appropriate action. (See Examples 3-9 and 3-10)

**Example 3-7**

**The Council for Adult and Experiential Learning (CAEL).** CAEL is a nonprofit organization committed to providing better access to education for adults through partnerships with business, government, labor and higher education. CAEL provides an innovative set of services to employers that enable them to invest in the education and career development of their workers. These services, which include career and educational advising, tuition reimbursement and transitional services for departing employees, enable employers to make cost-effective investments in workers, while providing workers with an important buffer against an increasingly turbulent labor market. CAEL’s clients range from large corporations such as J.P. Morgan Chase to small manufacturing concerns such as Chicago Metal Rolled Products. Through their work with CAEL, these companies are investing more money in education and career development in their workforce — much of which is low-wage — and are also beginning to see more benefits, such as increased retention.

For example, CAEL recently completed a study of the link between tuition assistance benefits and employee retention and loyalty in a major telecommunications company. The study found that tuition assistance benefits do, in fact, have a positive impact on retention. The greatest impact was found for those who were younger, non-management, female and had lower levels of educational attainment.

**Example 3-8**

**The Milken Institute.** The Milken Institute is an independent economic think tank whose mission is to improve the lives and economic conditions of diverse populations in the U.S. and around the world by helping business and public policy leaders identify and implement innovative ideas for creating broad-based prosperity. The Milken Institute is organizing a consortium of financial services companies to create a database of information about small business loan performance, with a particular focus on small businesses in the inner city. This database will help financial services companies better understand loan performance, improve their underwriting and structure loan products that are suitable for this market. If successful, this approach will help financial services companies to make more loans to businesses that are located in, and serve, low-income urban communities. This will benefit both the financial services companies and the communities.

**Example 3-9**

**‘Business and Community Development’ report by the Center for Corporate Citizenship.** The Center for Corporate Citizenship at Boston College, part of the Wallace E. Carroll School of Management, is a membership organization providing research, executive education, consultation and convenings on issues of corporate citizenship. Its report, ‘Business and Community Development’ provides management tools for use in designing a business and community development strategy, and shows how to address the complex organizational issues that arise in implementing CI. It also provides diagnostic aids and case examples from companies such as Advanced Micro Devices, J.P. Morgan Chase, Cisco Systems and Texas Instruments. Managers in companies such as GE have used these aids and cases to help them align corporate performance with community economic development to achieve win-win impacts.

**Example 3-10**

**Business and Economic Development: the Impact of Corporate Responsibility Standards and Practices.** A key market barrier to increased CI is the inability of management reporting systems used by most businesses to take social and economic impacts into account. “What gets measured gets managed” is a management adage. Conversely, what can’t be measured often falls out of management’s view entirely. Business and Economic Development: the Impact of Corporate Responsibility Standards and Practices, produced by AccountAbility and BSR with support from Brody•Weiser•Burns, enhances the management reporting process by helping businesses and their stakeholders to better understand, document and enhance the economic effects that companies have on all their communities of interest. This report has served as the launching point for working groups in finance, agriculture, pharmaceuticals and the extractive industries, in which managers are working to develop customized approaches to reporting and managing the economic impact of companies in their industries.

**Strategy 4. Create new market mechanisms**

Market intermediation is the process by which information, capital, demand or supply is collected, pooled and made available to market participants. This is a key function if markets are to operate efficiently. The New York Stock Exchange is a classic example of a market intermediary in a mainstream market. It provides mechanisms for connecting buyers and sellers of stocks efficiently. It collects information on the price and quantity of stock trades, and provides that information to buyers and sellers at all times. When intermediation mechanisms are weak or absent, businesses and customers lack information and are unable to take advantage of the full range of market opportunities. This condition often penalizes groups with less power, influence or access.

CI grantees create or enhance market intermediation mechanisms in a number of ways. Some create new social ventures that operate as stand-alone businesses providing unmet intermediation services. Others work with existing organizations to replicate innovative approaches. The potential impact of these strategies is to reduce the cost and difficulty of serving the low-income market; to increase access to products and services for low-income customers; and to increase jobs and income for low-income individuals.

There is some overlap between this strategy and other strategies. In order to fulfill their function, market intermediaries often must provide information about market opportunities to businesses, which overlaps with Strategy #1. They also typically lower the costs for all market participants, which overlaps with Strategy #2. What differentiates market intermediaries is that they are focused on enabling the market to efficiently fulfill the “exchange” function: to help buyers and sellers to identify each other more accurately and at a lower cost. They do this by pooling information, capital, customers or producers. This is their primary function. They provide information and lower costs as a by-product of helping to link customers and corporations. (See Example 3-11)

**Example 3-11**

**Working Today.** Working Today is a social enterprise that functions as a market intermediary. It works to remedy the failure of the health care insurance system to serve the needs of the growing temporary workforce. The current health care insurance system relies on employers and associations to help create groups of individuals that are large enough to enable the provision of health insurance at standard prices. Individuals who seek to purchase insurance without being part of such a group face exorbitant premiums. And yet a growing number of individuals are working in part-time or freelance capacities, which effectively denies them access to health care. To increase their access to affordable health insurance, Working Today serves an intermediary role. It signs up part-time and freelance workers, and creates a pool of customers. It then brokers group health insurance directly to this pool. This enables health insurance companies to identify these customers as attractive and provide them with insurance at affordable rates. Working Today is now serving 12,000 individuals, more than 60% of whom are low-income.



### *Strategy 5. Organize for collective action and public policy*

Businesses often ignore externalities — social and environmental impacts that generate costs for society that are external to the firm. They can engage in “free rider” behavior, taking advantage of benefits created by the investments of other market actors without making those investments themselves. They also can participate in “commons” problems, where each actor in the market, pursuing his or her own self-interest, uses more than his or her “fair share” of a common asset, thereby depleting the asset for society as a whole. To address these types of market problems, grantees pursue strategies to build consensus and catalyze collective action in order to change public policy or create voluntary industry norms or standards. Specific activities include:

- Create the will for collective action that changes the costs and benefits faced by all players in the market
- Change laws, regulations and incentives governing market behaviors
- Change industry norms or voluntary standards
- Shape the market governance system (how market is organized and governed)

The potential impact of this strategy is an increase in the revenues associated with serving low-income markets; a possibility of penalties associated with failing to serve these markets; improvement in the ease of serving low-income markets or hiring low-income individuals; and a reduction in abusive business practices, leading to an increase in income and wealth for low-income individuals and communities. (See Example 3-12)

#### **Example 3-12**

##### **Corporate Voices for Working Families.**

Since its creation in 2001, Corporate Voices for Working Families has worked to bridge the gap between major corporations, the work-life issues plaguing many of their employees, and lawmakers responsible for effective policy. Collectively, its 45 partner companies employ more than 4 million individuals throughout all fifty states, with annual net revenues of \$800 billion. Corporate Voices for Working Families seeks to provide information and public education on the policies for working families that both increase productivity for businesses and stabilize families, and to develop systemic solutions for working families, especially low-income working families, based in the community through federal and state level policy. Examples of information and public education efforts include a report on best practices in programs and policies for hourly wage workers, an Earned Income Tax Credit tool kit for employers, partnership development for corporations and advocates for working families, and organizing testimony by corporations in federal hearings on Head Start, work-life balance and family health.



## Part Four | The Corporate Involvement Initiative

### *Success Factors*

#### Success Factors

The frameworks developed help clarify the “whether, what, where and how” of creating Corporate Involvement.

- *Whether:* whether there is a market solution that allows companies to achieve profitable operations and also create benefits for communities.
- *What:* what changes need to happen in order to bring markets into alignment with CED goals, so that businesses can both make money and create positive outcomes for low-income people.
- *Where:* where in the market — the level and lever — the grantee needs to focus in order to help bring about that alignment.
- *How:* which strategy or strategies the grantee needs to use to create the changes needed in that level and lever.

Choosing the right market level for intervention, focusing on the right levers in that level and creating a strategy that will address those specific levers are key elements in successfully creating Corporate Involvement and bringing it to scale. But the research team found that even choosing these elements correctly did not guarantee success. The team found examples of grantees addressing markets with similar levels of alignment, focusing on similar market levels and levers, and implementing similar strategies — yet with varying degrees of success. Why? What was it that enabled some strategies to succeed where others stalled?

A deeper analysis of comparable strategies led to the finding of the key factors contributing to success in implementing CI strategies. The following success factors apply to all of the market levels and to each type of strategy:

- Identify and motivate business decision-makers
- Develop organizational competencies to bridge business and community
- Mobilize business networks and build effective partnerships
- Engage stakeholders and influence public policy to support CI
- Build scalable solutions

This section will look at each of the success factors in detail, noting key findings that underlie the success factor and providing examples.

#### Success Factor 1: Identify and Motivate Business Decision-Makers

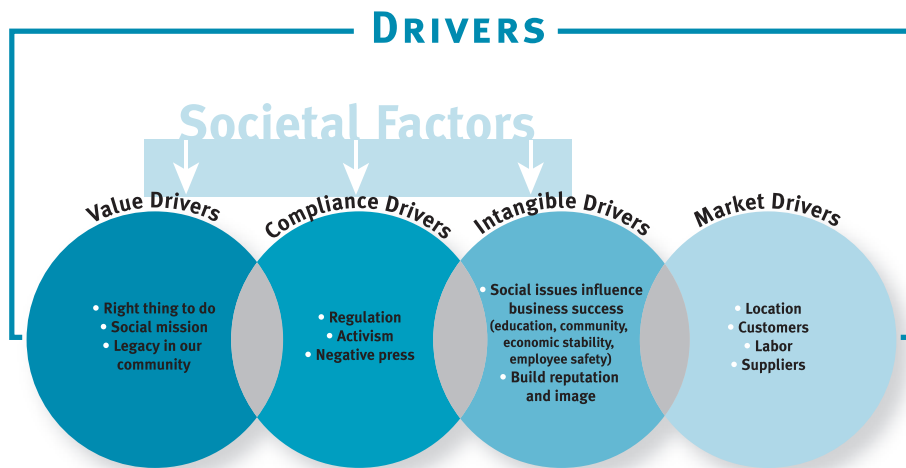
*Finding: Gaining business commitment to CI depends on locating business champions and providing them with information and tools to move both the grantee’s agenda and their own.*

Early in the Initiative, a number of the grantees believed that business case information was the key to creating CI. As the Initiative matured, it became clear that business case information was necessary, but not sufficient. As one grantee noted, “Information is important. But the key issue is finding champions who can bridge the public and private sectors, and who are ready and willing to use the information to drive for change. Information alone is not enough. Without champions, the information creates no change.” (See Example 4-1)

*Finding: Champions of CI are at all levels of business, including middle management. An effective strategy should engage management on a number of levels within the business. (See Example 4-2)*

*Finding: CI is usually institutionalized in a company when there are multiple motivations driving its acceptance, embedding the effort beyond one silo of business interest.*

Business motivation to participate in CI can be best understood as coming from a set of drivers — alignment with values, need to comply with regulations, market forces and intangibles, as diagrammed below.



Individual business managers possess a certain degree of latitude to implement CI programs that adhere to core values (e.g., to engage in CI because it's the “right thing to do.”) Typically, this does not lead to CI activities that are sustainable in the long run. Sustainable CI business solutions are developed most often when there are multiple motivating factors. For example, in the case of Green Mountain Coffee Roasters (see Example 4-2), engaging in Fair Trade practices both addressed value drivers — the interest that company leadership had in helping to improve economic conditions for coffee growers — as well as market drivers — the need to increase profitable sales and acquire new customers. A second example can be found in the insurance companies participating in the NIA’s Home Safety Partnership. Engaging in this partnership helped these companies address market drivers — the need to increase profitable sales — as well as compliance drivers — the desire to avoid burdensome regulation. Grantee ability to develop CI solutions that drew on several motivating factors was increased with increased grantee knowledge about individual industry sectors and business operations.

**Example 4-1**

**DreamWorks SKG.** Launched in October 1994 by Steven Spielberg, Jeffrey Katzenberg and David Geffen, DreamWorks SKG is a leading producer of live action motion pictures, animated feature films, network, syndicated and cable television programming, home video and DVD entertainment and consumer products. DreamWorks has helped create and develop industry-wide support for Workplace Hollywood, a nonprofit whose mission is to train and prepare people from historically underrepresented and economically disadvantaged communities in Los Angeles to effectively compete for, and gain access to, jobs and business opportunities in the entertainment industry.<sup>9</sup>

The impetus for this relationship came directly from Jeffrey Katzenberg, who was deeply concerned that individuals from minority and economically disadvantaged communities were not finding their way into jobs in the entertainment industry. He recognized that this was due in significant part to the fact that jobs in the industry tended to follow personal relationships and that these relationships typically did not reach deeply into minority and economically disadvantaged communities. Katzenberg spearheaded the drive to create diversity at DreamWorks and eventually led the effort to create Workplace Hollywood. He and his partners Steven Spielberg and David Geffen each contributed \$1 million personally to start the nonprofit. Workplace Hollywood has grown to significant scale in a short period of time. It now has a number of training and internship programs and a database of 4,000 screened job candidates (a significant portion of the total entertainment industry employment of 45,000 in Los Angeles). Workplace Hollywood and its partnering training organizations have trained 3,072 individuals and made 1,110 placements as of the end of 2004.

## Success Factor 2: Develop Organizational Competencies to Bridge Business and Community

*Finding: Deep business expertise is a critical element in enhancing and leveraging CI.*

Business expertise among grantees in the CI Initiative was a critical element in enhancing CI. Business expertise included the following characteristics:

- Experience and reputation in the industry the grantee was trying to influence.
- Full-time staff with experience in industry dedicated to CI project.
- Industry decision-makers involved in designing CI project.
- A partnership with key player in industry.
- Ability to mobilize business networks to communicate and champion its innovations.

The Initiative supported grantees with a wide range of prior business experience and relationships. Grantees were able to add business expertise by hiring staff, creating partnerships with other, more experienced organizations, or by creating direct relationships with business champions. (See Examples 4-3 and 4-4)

### Example 4-2

#### Green Mountain Coffee Roasters.

Founded in 1981, Green Mountain Coffee Roasters (GMCR) is a Vermont-based wholesale coffee company with a strong commitment to ecological conservation and social responsibility. The company reached sales in excess of \$100 million for fiscal year 2002, and roasts more than 90 high-quality arabica coffees, including single-origin, estate, certified organic, Fair Trade, proprietary blends and flavored coffees. The Fair Trade line of coffees is certified by TransFair USA, and GMCR pays a licensing fee per pound.

The impetus for taking on the Fair Trade line and developing a relationship with TransFair came from Rick Peyser, the Director of Public Relations, and a dedicated group of employees. Peyser was personally committed to improving conditions for coffee-growing farmers, and felt that Fair Trade offered an exciting opportunity to improve the farmers' economic conditions, increase the quality of the coffee and reach new consumers. The process of developing the relationship with TransFair was complex, with considerable internal and external selling required. GMCR's CEO eventually became an important champion for the relationship and helped overcome some difficult obstacles to facilitate the company's introduction of Fair Trade coffee. The Fair Trade line is now GMCR's fastest growing product line, accounting for approximately 15% of GMCR's sales this year.

### Example 4-3

**Self-Help.** Self-Help is a community development lender located in North Carolina addressing the needs of those who are under-served by conventional lenders, particularly minorities, women, rural residents and low-wealth families. Self-Help, the Ford Foundation and Fannie Mae Corp. formed a partnership in 1998 with the goal of generating \$2 billion in affordable mortgages for 35,000 low-wealth homebuyers. Through this partnership, Self-Help was able to purchase affordable mortgages from banks that were making the mortgages, but were not able to sell them on the secondary market. Self-Help was able to bundle the mortgages and credit-enhance them, in part through a grant from the Ford Foundation. Fannie Mae then purchased the loans from Self-Help. The capital that was freed up through the sale of the mortgages was then loaned out again by the banks to create new affordable home mortgages. As of the end of 2003, Self-Help and Fannie Mae achieved their goal of generating \$2 billion in new affordable mortgages.

Prior to starting the partnership, Self-Help had developed deep expertise in home mortgage lending, and had a talented and experienced staff with a strong background in this field. Self-Help had been making affordable mortgage loans in North Carolina for ten years before the start of the partnership with Fannie Mae. This history made Self-Help a known quantity to the banks and allowed its rapid expansion into a national program.

### Example 4-4

**Initiative for a Competitive Inner City (ICIC).** ICIC is a national nonprofit organization founded in 1994 by Harvard Business School Professor Michael Porter. The ICIC mission is to create healthy communities that generate jobs, income and wealth for inner-city residents through private, for-profit business development and job growth. A critical activity has been its national research on inner-city clusters and market opportunities, demonstrating the potential of inner-city markets. ICIC is able to produce studies that alter national perceptions of inner city markets because of its unique research partnerships with PricewaterhouseCoopers, the Boston Consulting Group and Inc. magazine. It has leveraged over \$16 million in pro-bono research from these groups since 1994. These partnerships provide ICIC with business expertise and analytical tools, as well as the credibility that helps the organization convey a convincing message to its business audience. As an example of the impact on the business discourse, consider the fact that before 1994, only 25 articles in the business press referenced the terms "inner city" and "competitive advantage" together, compared to 4,000 after 1994 (ICIC, 2004).

*Finding: Expertise and relationships in communities were necessary for grantees to achieve positive CED outcomes.*

The CI Initiative supported grantees with a wide range of community expertise and relationships. Most of the grantees were national, regional or international nonprofits. A few were businesses. Many of the grantees found that creating partnerships with community-based organizations (CBOs) was an effective way to gain community expertise and relationships, particularly in workforce development, consumer marketing and government relations. Grantees also found that developing relationships with other locally-focused organizations, including small businesses, community colleges, farm cooperatives and chambers of commerce, was effective in gaining the needed community expertise and relationships. (See Example 4-5)

*Finding: Nonprofit organizations and foundations often have cultures, language, and operating assumptions that are profoundly different from those of business. To effectively expand CI, nonprofits and foundations need to be able to reframe language and operating assumptions to communicate effectively with business. The “win-win” framework is a particularly effective format for bridging the CED and business worlds.*

Even among business and nonprofit leaders who share common objectives, interactions are often frustrating; both sectors find themselves unable to communicate and negotiate effectively to achieve their goals. This unspoken, but widespread difficulty hinders Corporate Involvement on behalf of low-income people. In response to this issue, at its inception, the CI Initiative funded original research to uncover the potential barriers to successful collaborations between business and community representatives, and formulate a practical communications strategy for overcoming them.

This research was conducted by Laufer Green Isaac, a strategic marketing communications consulting firm specializing in corporate communications and social issue marketing. Later published as *Hidden Agendas: Stereotypes and Cultural Barriers to Corporate-Community Partnerships*, the research uncovered the negative perceptions held by business and community leaders toward each other and revealed that differences between the nonprofit and business cultures often inadvertently reinforced these negative perceptions, undermining the trust necessary for partnership. With this knowledge, Laufer Green Isaac worked with the CI Initiative to ground its approach in a meaningful framework for both corporations and communities.

The research also found that reframing collaborations between corporations and representatives of low-income communities as “win-win strategies” for mutual benefit was a significant aid in bridging the communications gap. (See Example 4-6)

#### Example 4-5

##### **Manpower’s TechReach Program.**

Manpower Inc. is a world leader in the staffing industry, providing workforce management services and solutions to customers through 3,900 offices in 63 countries. TechReach is Manpower’s strategic, nationwide initiative to provide technical skills training, work-readiness preparation, job placement and career advancement opportunities for the unemployed and underemployed. The objective of the program is to provide today’s businesses with a new source of work-ready skilled technical workers while offering a gateway to high-wage technical careers to the unemployed and underemployed.

Implemented through community/business partnerships, TechReach brings together the expertise of employers, community-based organizations, educational institutions, government agencies and business associations, offering trainees marketable skills and industry standard certifications. For example, in Chicago, Manpower has partnered with two community-based organizations, Instituto del Progreso Latino and Shorebank Neighborhood Institute. Both organizations conduct outreach and initial screening for program candidates and provide social services support for program participants.

In 2001 and 2002, TechReach served 1,270 program participants in 45 programs around the nation. In May 2003, Manpower formed a National Business Partnership with the Department of Labor which helped expand the level of activity and impact of Manpower’s work. Manpower is now placing approximately 2,000 individuals per year into jobs through its TechReach program.



### Success Factor 3: Mobilize Business Networks and Build Effective Partnerships

*Finding: Developing relationships with opinion leaders and mobilizing business networks was a key competency in promoting the adoption of innovations in CI.*

Grantees that succeeded in creating relationships with opinion leaders in business networks were able to attain much higher levels of adoption of innovations in CI by businesses than those that did not. Opinion leaders include CEOs of large companies, executives in key positions in leadership companies, management “gurus” and the business media.

We can draw from current business thinking about the adoption and spread of innovations to help understand why developing relationships and using networks is critically important, and to understand more about the dynamics of spreading innovations through networks.

Malcolm Gladwell’s book “The Tipping Point,” a book about change and how small things become big things, looks at why some innovations sprang from isolated examples to achieve widespread acceptance in short periods of time, and why others never made the leap into the forefront of public awareness and use. “The Tipping Point” theory says that three types of actors are needed to move issues and innovations from isolated examples to scale:

- **Mavens:** those who want to know about the best and the latest of everything, and tell their friends and colleagues about it all.
- **Connectors:** those who connect many individuals across social groupings.
- **Salespeople:** those who persuade others to take action.

Most of the grantees have been successful in getting their work known and appreciated by “mavens” — expert observers in the field — who are able to understand why the innovation that the grantee is working on is cutting edge and important. But the grantees able to get their work picked up and promoted by the “connectors” — opinion leaders in the business networks — were the ones who were able to get much more widespread adoption. Factors that helped increase the likelihood of getting picked up by “connectors” included depth of industry knowledge, ability to frame messages in ways that were attractive to a business audience, and the presence of business leadership on the Board or committees of the grantees. In addition, nearly 40 grantees have gone through customized Media/Spokesperson and Speaking the Language of Business trainings conducted by Laufer Green Isaac.

One example of how being promoted by a “connector” is helpful is shown by Self-Help’s work with Fannie Mae. Self-Help’s partnership with Fannie Mae, coupled with Fannie Mae’s enormous presence in the secondary market for home mortgages, gave Self-Help a significant boost in credibility as it sought to persuade banks to use a new approach to home mortgage lending in low-income communities.

A second example can be seen in the research partnerships forged between ICIC and PricewaterhouseCoopers, the Boston Consulting Group and Inc. magazine.

#### Example 4-6

**Winwinpartner.com.** The Ford Foundation engaged Laufer Green Isaac to create the Win-Win Partner Web site ([www.winwinpartner.com](http://www.winwinpartner.com)). This is the first Web site designed for executives interested in business strategies that benefit the bottom line and build prosperous communities. It seeks to build business and media understanding for the business case for CI, and to position the CI grantees as value-added resources to businesses and journalists.

Its resources include:

- Success stories from Fortune 500 companies
- A searchable database of over 250 reports, publications and articles
- Upcoming national and regional events
- More than 45 national nonprofit organizations and other resources serving businesses
- A press room with the latest news, experts and data.

The Web site architecture, messaging strategy and content are all tailored to bridge the cultural gap noted above. The success of this communications approach in reaching the business audience is measured by the Web site’s 30,000 unique visits and 400,000 hits per month.



These partnerships help ICIC to produce leading-edge research that highlights the potential of inner-city markets. The fact-based research and critical analysis, not to mention the prestige, contributed by these partners, helps significantly improve the quality and effectiveness of this new national conversation on market approaches to inner-city transformation.

This finding helps provide context to the earlier finding that compelling business case information is important, but not sufficient, to move decision-makers to action. Markets are not just economic constructs, driven by flows of information and calculations of profit and loss. They are also networks of relationships between individuals. Changing markets means working within and influencing these networks. Being sponsored by a central node in the network enables grantees to get into the network much more rapidly. A substantial partnership with a key opinion leader that leverages grantee strengths is an essential element of making the leap from backwater to mainstream.

*Finding: Almost all grantees needed to develop partnerships with businesses and with other organizations in order to implement their grant strategies successfully. However, the performance of the partnerships varied widely, with some partnerships serving as engines propelling the strategy forward and others as anchors retarding progress.*

CI Initiative grantees formed partnerships with a broad range of organizations and businesses. In addition to the partnerships noted previously (with locally-focused organizations such as CBOs, small businesses, community colleges, farm cooperatives and chambers of commerce), grantees formed partnerships with business schools, colleges, public sector entities at state and local levels, labor and consumer groups and other NGOs.

When partnerships worked well, they often enabled grantees to extend their credibility and resources, as noted in the examples of ICIC and Self-Help. Partnerships also helped grantees to extend their reach and capture creative ideas and best practices. Several partnerships enabled grantees to participate in shaping industry standards (for example, TransFair USA's participation in the Fairtrade Labeling Organizations International standard-setting process).

In general, creating and maintaining partnerships took significant effort, energy and time, using grantee resources that might otherwise have been devoted to other grantee activities. While in many cases, this was a sound strategic move, developing partnerships nonetheless was a significant investment.

The partnerships also varied in achievement. This was due in some cases to the grantee, but in most cases, it was due to wide variation in the ability and commitment of the grantee's partners. The ability and commitment of community-focused organizations was particularly variable, with very wide ranges of capacities and resources. Almost all the grantees with a large number of partnerships with community-based organizations reported at least one or more sites in which poor partner follow-through, high staff turnover and resource problems slowed down progress and absorbed excessive amounts of staff time and attention.

The ability and commitment of companies to partner also varied significantly. Several factors contributed to this variability. The most important was the quality of commitment by top management to entering or developing the CI market. Also important was the amount of experience the business had in developing and managing external partnerships. A third issue was the degree of willingness of firms to commit staff time and attention to the project. Partnerships that had a person within a company acting as the dedicated liaison tended to perform better than ones in which the connection was shared among a team. Finally, shifts in economic climate and business strategy were influential; a number of partnerships were abruptly terminated or experienced problems when the economy slowed down, companies merged, the stock market declined and/or business strategy changed. (See Example 4-7)

**Example 4-7**

**Neighborhood Reinvestment Partnership with Insurance Coalition.** The partnership between Neighborhood Reinvestment Corporation (NRC) and a coalition of insurance companies, profiled in this report, exemplifies a number of the factors that help contribute to successful partnerships. Senior management at all of the insurance companies were committed to the partnership activities, and saw the partnership as being an important tool for helping the company to achieve its strategic goals. Many of the partnership meetings were attended by senior managers. For example, the Travelers Property Casualty executive in charge of all U.S. homeownership insurance sales chaired the partnership and attended most of the meetings. All of the insurance companies participating in the partnership had extensive prior experience in task forces and partnerships. For example, they had all participated on the National Insurance Task Force together for several years prior to forming the partnership with NRC. Finally, NRC and all of the insurance companies had specific individuals who were responsible for acting as a dedicated liaison to the partnership effort and who had made specific commitments of their time to the partnership. All of these factors helped contribute to the partnership's ability to function smoothly and continuously over a multi-year period.

**Example 4-8**

**Business Partners for Development project of the World Bank, Civicus and the International Business Leaders Forum.** Business Partners for Development (BPD) was an initiative set up to study, support and promote strategic examples of partnerships involving business, civil society and government working together for the development of communities around the world. BPD summarized the lessons learned from 30 partnerships organized across the developing world. Its documents and Web site provide organizations — particularly those with limited experience in partnering — with the lessons and tools on how to develop successful cross-sector partnerships.

*Finding: While the standard factors for success in partnerships with organizations applied to CI partnerships, there were specific factors that were unique to CI partnerships.*

Our research showed that the standard factors for success in partnerships applied to CI partnerships as well: clear goals, mutual needs, appropriate resources, well-structured governance and high levels of communication. (See Example 4-8) In addition, the data show there are specific factors for success in CI partnerships, which included the following:

- Up-front investment in developing shared understanding
  - ~ Sufficient time spent gaining clarity about motivation and capacity; problem to be addressed, opportunity to be pursued and outcomes to be achieved; and basis for accountability within partnership
- Complementary competencies among partners
  - ~ Partnerships worked well when the partners joined together because they saw the benefits of each other's core competencies. Partnerships worked less well when businesses sought simply to gain public relations, or CI grantees sought simply to gain funding.
- High levels of congruence between business goals and community goals
  - ~ Strong and clear "value proposition" for both sides
- Facilitator role
  - ~ Complex partnerships (involving three or more partners with different cultures) performed better when there was a facilitator. The facilitator could be the grantee or an external organization.
- Thorough process for recruiting and screening of potential partners

*Finding: Businesses saw their nonprofit counterparts as providing "value-added" to the partnership.*

Essentially all of the businesses in the research sample worked with nonprofit partners, so it was not possible to draw conclusions from our data set regarding whether and how businesses can successfully engage in CI without nonprofit partners. By interviewing the business partners, the team was, however, able to determine what the business partners saw as the "value added" of their nonprofit counterparts. Businesses saw that nonprofit participation in CI partnerships was valuable for the following reasons:

- Complementary competencies
  - ~ As noted above, many businesses found that nonprofit partners provided complementary competencies. This included bringing specialized information about and connections to communities, helping to aggregate community demand or provide new channels for marketing, and developing specialized products and processes. For example, Metro Edge was valued because it specialized in information about markets with which businesses were unfamiliar.
- Community trust
  - ~ Nonprofit partners frequently were valued because they help create trust or improve trust between communities and businesses. This is particularly important when community support and trust is important to successfully entering a new market or launching a new product. For example, free home safety inspections were a key component of the Neighborhood Reinvestment Corporation's program for improving the

safety of homes in low-income neighborhoods. But in order to conduct the inspections, the organization conducting the inspections had to be trusted by the residents. It was easier for community-based nonprofits to win that trust than it was for insurance companies to do so.

- Conduit for public sector and foundation funding
  - ~ Many CI projects require a certain level of public sector or foundation funding, particularly in the research and development stage. Nonprofit organizations are often seen as being better able to ensure that the funding goes to a public purpose, and therefore are much more palatable as a conduit for this kind of funding.
- Ensuring a voice for low-income individuals
  - ~ Business partners valued the fact that nonprofit organizations, especially membership organizations and community-based organizations, were seen as ensuring a voice for low-income individuals in the CI process. The benefit to businesses was that it gave them one entity to negotiate with on behalf of the community. Since most business executives in the CI Initiative were genuinely interested in improving the status of low-income communities, having an organization that could ensure that the strategies developed would meet that goal was viewed as a plus. In addition, both public sector and foundation partners felt that if the interests of low-income people were to be supported, it was important to have a nonprofit in the partnership.

#### **Success Factor 4: Engage Stakeholders and Influence Public Policy**

*Finding: Engaging stakeholders and influencing public policy were often critical success factors in building CI because many markets were poorly aligned.*

When markets are poorly aligned, engaging stakeholders and influencing public policy enables implementation of CI at a scale and pace unattainable when focusing solely at the level of market operations or the level of the business. Some CI grantees pursued stakeholder engagement, advocacy and public policy strategies directly, while others focused on market operations or business activities because there are already groups working directly on engaging stakeholders and influencing public policy.

**Engaging stakeholders:** The stakeholders of businesses include communities, NGOs, consumers, labor, media and others. Engaging stakeholders can be an effective CI strategy when there are social issues that matter to a constituency and there are no market mechanisms to impose costs when businesses ignore these issues or create revenues when businesses address them.

Engaging stakeholders around an advocacy agenda can be an important tool in influencing public policy. For example, community organizing has been critical in creating market-oriented legislation such as the New Markets Tax Credit, which attracts private sector capital into distressed communities. Organizing stakeholders can also be an effective strategy outside of the policy change process. Businesses concerned about their reputations can be influenced by vocal stakeholders. The ability of Social Accountability International to engage businesses to adopt voluntary industry standards for labor practices was significantly enhanced by NGOs that organized public outrage and media attention to the problem of child labor in the footwear and apparel industries in developing countries. TransFair's Fair Trade certification enterprise would not be as effective without the anti-globalization campaigns of activists that have shined a light on the problems in global trade regimes.

**Influencing public policy:** Influencing public policy is an important approach to improving market alignment. This is particularly true when there are issues of externalities, “free rider” and “commons” problems, as noted previously. Strategies for influencing public policy can be divided broadly into two categories:

1. Influencing the policy process directly through a grantee's activities (education, research, advocacy, stakeholder engagement and the like).

**Example 4-9**

**Center for Community Capitalism.** A program of the Kenan Institute at the Kenan-Flagler Business School, the Center seeks to improve services from financial institutions to low-income individuals and communities. To this end, the Center studies strategies at the intersection of new banking technology and public policies regulating financial services. For example, the Center has been analyzing the accessibility of ATMs to poor, minority and underserved communities, and detailing innovative ways financial institutions use technology to serve the unbanked and low- and moderate-income consumers. The Center’s work has provided education, information and research that will help policymakers as they consider significant changes in public policy and regulation for the financial services industries that will help bring low-income, unbanked families into the financial mainstream.

For example, the Center’s research on ATM location has led to recommendations that the CRA Service test require banks and examiners to undertake more complete inventories and systematic assessment of location of ATMs and their capabilities to deliver the full range of financial services to low-income and minority communities. Its analysis of predatory lending work demonstrates that a well-crafted state predatory lending law such as that in North Carolina can significantly reduce the incidence of abusive lending practices without choking off the flow of subprime mortgage loans to borrowers with blemished credit records. Its work in affordable mortgage finance demonstrated the importance of "smart servicing" as a means of helping low-income families who have defaulted on their loans to keep their homes while catching up on past payments. This research is critically important in shaping policy that will help bring low-income, unbanked families into the financial mainstream.

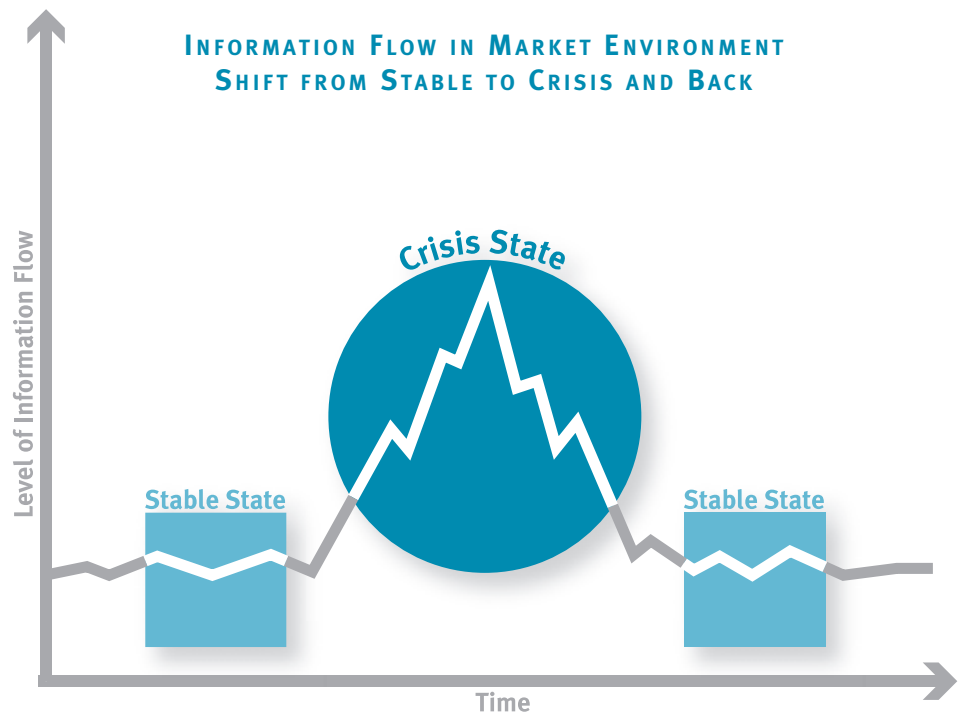
2. Influencing the policy process by engaging the collective voice of business in the public policy debate.

Both approaches have been effective. In general, the choice whether to intervene directly or by engaging the voice of business depends on the specific assets of the grantee and the willingness of business leadership to be publicly identified with a specific CI issue. (See Examples 4-9 and 4-10)

*Finding: Success in engaging stakeholders and influencing public policy depends on the ability to spot emerging issues before they come to widespread public attention, and being able to get compelling stories into the public eye when the issues are “in play.”*

The experience of CI grantees, and of a wide range of other organizations seeking to engage stakeholders and influence public policy, shows that the level of attention and information flow devoted to a particular issue varies widely. For most issues, at any one time, there is a relatively small group of stakeholders and policymakers who are paying attention to the issue and a small amount of information flowing in public media, mostly in specialist publications and Web sites. But at any time, there are also a few issues that are “in play.” These issues are receiving an intense amount of scrutiny by a wide range of stakeholders and policymakers. The opportunity to engage stakeholders and influence public policy comes when an issue moves out of the background and into the foreground. (See diagram below)

Success in being able to engage stakeholders and influence public policy depends on two abilities: the ability to create compelling events and news “hooks” that propel an issue from the background to the foreground; and the ability to build coalitions and get stories into the media quickly when issues are in play. To be successful in engaging stakeholders and influencing public policy, grantees needed to be able to



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work successfully with advocacy organizations, think tanks, information brokers and opinion leaders in both public and private sectors. (See Example 4-11)

*Finding: Grantees who work “in the market” aggregating customers and developing new products and services gain indispensable information useful to informing public policy changes that are required to better align markets.*

As grantees worked to create CI by developing new products and services, aggregate customers and improve intermediation, they often learned about specific market barriers that were preventing businesses from being able to engage in CI. The grantees were able to bring this detailed information into the public policy development process, which enabled the development of new policies, or the revisions of existing ones, in ways that created better market alignment. In the best cases, a positive feedback loop developed, with the improvement in market alignment allowing the grantees to increase the pace of their work, leading to further learning and the development of further information that could be brought back to the public policy development process. (See Example 4-12)

#### Example 4-10

**MetroBusinessNet.** Among other factors, business success relies on the quality of a region’s infrastructure, including workforce, transportation, education, and housing. Yet there is often public under-investment in these critical infrastructure elements and individual businesses do not have the incentive or resources to make these investments alone. An important strategy for addressing this under-investment is to leverage the collective voice and resources of the business community. This often occurs through regional business-civic organizations, such as Chicago Metropolis 2020. These regional business-civic organizations both seek to create the will for collective action by business and to help change the laws, regulations and incentives that govern market behaviors.

**MetroBusinessNet** (a program of FutureWorks) is a national action-learning network that is aimed at helping to improve the effectiveness of regional, business-civic institutions leveraging the collective voice and resources of businesses on behalf of low-income communities. The business-based civic institutions involved in MetroBusinessNet include five regions – Greater Austin, Metropolitan Chicago, the Northern California Bay Area, the St. Louis region, and Greater Washington, D.C. Each of these organizations is working to help businesses advance their interests and meet competitiveness objectives while simultaneously improving the economic prosperity of low-income individuals in distressed communities throughout their regions. MetroBusinessNet is working with these groups to help improve their effectiveness and also to help develop a toolkit of approaches and lessons learned that can be used to strengthen the activities of similar organizations working in other regions. For example, it is preparing a “Strategies and Methods Handbook on Regional Double Bottom Line Investment Funds” and is creating a partnership with the Association of American Chamber Executives to deliver and disseminate MetroBusinessNet products and services to their membership.

Chicago Metropolis 2020’s work in promoting affordable housing provides a good illustration of effective business-civic activism that creates benefits for businesses and for low-income individuals at the same time. Chicago Metropolis 2020 is a business-led advocacy organization with a 47-member board of directors. Its mission is to foster collaborative action to strengthen the economic vitality and quality of life in the six-county Chicago region. A major theme informing the organization’s work is that current regional growth patterns are inefficient for business and inequitable for residents.

Chicago Metropolis 2020 has played a key role in defining and moving the affordable housing agenda forward in the greater Chicago region. With support from MetroBusinessNet, Chicago Metropolis 2020 conducted a quantitative study which concluded that the lack of affordable housing near job sites costs businesses \$200 to \$250 million per year. This finding helped support a 40-point Workforce Housing Action Agenda issued by Metropolis in 2002. The Action Agenda was the culmination of three years of coalition-building and research. It calls for local zoning reforms and increased emphasis on building code enforcement and property maintenance by local governments; increased state government assistance and rewards to communities that create a broad range of housing; expansion and improvement of federal programs to increase affordable housing; and corporate action to create workforce housing.

In Chicago, housing issues have traditionally been pushed by the advocates, but once the business community became involved, the issue drew more attention. Metropolis is now regarded as a key player on the housing issue and has worked hard to get affordable housing on the state agenda. Along with the Metropolitan Planning Council and Business and Professionals for the Public Interest, Metropolis successfully asked the Legislature and governor in 2003 to create an affordable housing task force. The task force is charged with developing a statewide affordable housing plan, and it is highly likely that some or all of their recommendations will be adopted in the coming legislative session.



**Example 4-11**

**Social Investment Forum campaign against predatory lending.** Social Investment Forum is a national nonprofit membership organization with a membership of more than 500 social investment professionals and institutions dedicated to promoting the concept, practice and growth of socially and environmentally responsible investing. In 2002, the issue of predatory lending – the stripping of wealth from low-income individuals through unscrupulous lending practices – burst onto the national screen as a significant problem. Working together with Self-Help and other members, the Forum was able to act quickly and help to build a coalition of institutional and individual investors to put pressure on banks. Their efforts were successful in persuading major banks to change these practices.

**Success Factor 5: Build Scalable Solutions**

This report defines the scale of a particular business solution as the proportion of the relevant market that it affects. A business solution could be a new product, service, or practice, or a new enterprise that meets a market need. A business solution has reached significant scale when it affects a significant proportion of transactions in the market. Scale is important because it is an indicator of potential impact. The CI Initiative sought to find business solutions that have the potential of improving the income, assets and wealth of low-income individuals at scale.

The report defines a business solution to be “scalable” if there has been considerable market receptivity to the solution as it is being implemented and there is a credible approach for bringing it to scale over time. It is important to be clear that we are concerned about scalability of the solution, not the scalability of a grantee implementing the solution. Many of the solutions developed by the grantees in the CI Initiative can be brought to scale in a wide variety of ways. These include a growth in scale of the grantee, adoption by other organizations, creation of new organizations that bring it to scale, delivery through a network and support by collective business action.

TransFair USA offers an example of a scalable solution that will be delivered by growth in the activities of the grantee. TransFair is attaining scale by increasing the volume of coffee that it certifies and also by expanding into certifying tea, chocolate and fruit. If it is successful in attaining scale, it will eventually certify a significant portion of these commodities in the U.S. market. Self-Help offers an example of a scalable solution that will be delivered primarily by adoption by other organizations. The growth in affordable mortgages will occur primarily by expansion of the purchases by Fannie Mae and similar organizations of affordable mortgages that Self-Help helped prove profitable.

*Finding: Scalable business solutions have been produced by grantees pursuing each of the five CI strategies, and by grantees focusing on each of the three market levels. Success in developing solutions is not driven by choice of level or strategy, but by a careful analysis of market alignment, market barriers and grantee competencies.*

Of the 52 grants evaluated, 31% have generated scalable business solutions at this point in time and 13% have failed to create a scalable business solution. An additional 56% are at a stage at which it is too soon to tell. This data is highlighted in the table below. There were successes at each of the three levels and with each of the five strategies. There were also failures at each of the three levels and with four of the five strategies.

Given that more than half of the grantees are at a stage where it is “too soon to tell,” it is hard to draw firm conclusions. Nonetheless, the initial data suggests that success or failure in developing scalable business solutions does not depend solely on the choice of a particular level or strategy. Rather, an examination of failure and success suggests that success depended on a careful analysis of the market alignment, market barriers, and grantee competencies and the choice of a strategy, which closely targeted a specific market barrier and leveraged all of the grantees’ assets and strengths. This examination also suggests that failures most often were due to an attempt to implement a strategy that did not leverage core competencies of the organization.

## SCALE ACHIEVEMENT BY TYPE OF INTERVENTION STRATEGY

	GENERATED SCALABLE SOLUTION	DID NOT GENERATE SOLUTION	TOO SOON TO TELL	TOTAL
	%	%	%	%
CREATE AWARENESS, INTEREST & LEADERSHIP	0%	2%	27%	29%
DEVELOP NEW INFO, PRODUCTS	15%	6%	12%	33%
NEW MARKET MECHANISMS	4%	0%	4%	8%
REDUCE ORG AND CULTURAL BARRIERS	0%	0%	10%	10%
STAKEHOLDER ADVOCACY AND PUBLIC POLICY	12%	6%	4%	21%
<b>TOTAL</b>	<b>31%</b>	<b>13%</b>	<b>56%</b>	<b>100%</b>

\* In most cases, organizations pursue multiple strategies at multiple levels. The table above reflects the primary approach grantee organizations pursued.

## SCALE ACHIEVEMENT BY LEVEL OF MARKET INTERVENTION

	GENERATED SCALABLE SOLUTION	DID NOT GENERATE SOLUTION	TOO SOON TO TELL	TOTAL
	%	%	%	%
FIRM	2%	2%	25%	29%
MARKET	21%	6%	13%	40%
ENVIRONMENT	8%	6%	17%	31%
<b>TOTAL</b>	<b>31%</b>	<b>13%</b>	<b>56%</b>	<b>100%</b>

\* Figures in the tables above have been rounded to the nearest whole number.

*Finding: Achieving scale of impact often requires working at multiple levels. In addition, success in implementing a strategy at one level often builds upon success in implementing other strategies at other levels. Grantee strategies often evolve from level to level as they succeed in attaining specific goals.*

The clearest example of how a strategy can evolve from level to level can be drawn from grant making that Ford has supported in the area of access to capital and financial services in low-income communities. This work began prior to the CI Initiative, and the Initiative has been able to take advantage of the prior efforts to promote broader innovation in the financial services sector. Since this work has a long enough history, it is possible to trace the evolution of CI activities at different levels over time. In this case, the work began at the market environment level, subsequently focused on the firm level and finally, at the market operations level. To a large extent, success at a preceding level was required to advance to the next level of CI intervention.

Initially, organizations working on capital access issues focused their efforts at the market environment level. Community-based advocacy and policy-relevant research contributed to the adoption of the Community Reinvestment Act (CRA) and the regulations developed and implemented. This work took years to come to fruition and its implementation has created the leverage point on which the rest of the strategies depend. The second level of work was at the level of the business, as advocates worked with banks on developing specific products, approaches and supports that would enable banks to profitably make “community development”

### Example 4-12

**One Economy Corporation.** One Economy is dedicated to improving the standard of living of low-income people by ending their economic and social isolation. Through a home-based Internet strategy, One Economy is working with the owners and managers of publicly-assisted housing and other partners, to provide low-income households with computers and Internet access, training and comprehensive, Web-based content that expands their opportunities to make more informed decisions and build assets. The owners and managers of the units include both private, for-profit corporations and nonprofit corporations. Through their on-the-ground work in helping owners and managers of publicly-assisted housing to wire up new and existing units for Internet access, One Economy became aware of specific regulations that were preventing housing owners from making the investments needed to expand this work.

One Economy was able to work with the regulators of publicly assisted housing to change the regulations to provide greater incentive for the owners and operators of the housing to wire up existing units. For example, in 2002, Kentucky Housing Corporation, the housing finance agency for Kentucky, adopted a resolution that requires all new affordable housing construction and reconstruction they finance be wired for high-speed Internet access. This action, and similar ones, unleashed increased demand for technology services from the owners of the residential affordable housing units. To meet this demand, One Economy has completed multiple contracts to install improved services in Oregon, Washington and California and is currently working on nearly 50 others in these markets alone, representing several thousand residential units. As of the end of 2004, One Economy had wired up 5,000 units for Internet access.

**Example 4-13****Neighborhood Reinvestment Corporation (NRC).**

Neighborhood Reinvestment Corporation's work with the insurance industry is a strong example of the ways different strategies can support each other. NRC focuses on the market operations level to improve the safety of homes in low-income neighborhoods and thereby reduce the costs of providing homeownership insurance in those neighborhoods. Other nonprofits at the same time are pursuing a strategy based on organizing for collective action and are working at the market environment level to create legislation requiring community investment by insurance companies, similar to the banking industry's Community Reinvestment Act. The insurance industry's incentive to participate in NRC's projects is enhanced by the work of advocates who are pressuring insurance companies through CRA-like legislation. The "outside pressure" strategy of the advocates (who are not CI Initiative grantees) provides support to the NRC's "inside partnership" strategy.

loans. Over time, the positive experience that banks had with this type of lending improved their attitudes toward segments of the low-income and ethnic markets. Today, community lending by banks now totals many billions of dollars per year, a dramatic increase since the passage of the CRA.

Banks are now seeking assistance from among CI grantees such as Shorebank Advisory Services, the Milken Institute, D2D, One Economy, National Community Investment Fund, CFED, Bay Area Community Equity Fund and others. These groups are partnering with financial institutions as they pursue new products (i.e. mortgages, property insurance, venture funds, IDAs and other consumer financial services), new customer segments (i.e., immigrant) and new financial service delivery channels. These grantees are beginning to create shifts in market operations, changing production and transaction costs for the entire industry. (See Example 4-13)

*Finding: CI is a marathon, not a sprint. Successfully developing a scalable business solution, and having it broadly adopted, is typically a long-term task. Capacity building, demonstration and scaling-up require activities on multiple fronts and can often take five-to-seven years or more. Long-term funding is critical.*

The process of aligning markets and shifting business attitudes and behavior typically takes a considerable length of time. For most organizations in the CI Initiative, successfully developing a scalable business solution required capacity building (through hiring, partnership or network development), research and demonstration, and then rolling out the solution. This process often took five-to-seven years. Organizations that pursued specific scalable solutions without long-term funding sometimes had difficulty in sustaining their efforts. Most corporations that were partners of grantees funded little or no capacity building and development and only paid fees that partially covered the full costs of services and products, even after a track record of three-to-five years. Foundation or government funding was required throughout the length of the project for most grantees. (This finding is discussed in additional detail in the next section.)

An informative contrast is provided by two grantees, both of which sought to increase business sales of products to inner-city neighborhoods. Both grantees were national nonprofits with a strong track record of providing financing and technical assistance in housing and community development. Both had loan pools committed prior to the start of the program to assist in enabling businesses to increase their sales. But one grantee only had funding for staff for one year committed at the start of the program, whereas the other had funding committed for three years. Both assumed that businesses would pay a portion of the costs of the ongoing program. The grantee that only had one year of funding was not able to make sufficient headway in that time to persuade businesses to provide the funding needed to scale up, and the program has stayed quite small. In contrast, the grantee that had three years of funding was able to drive the program to a sufficiently high level of success to attract new business and government funding for expansion. The program is now expanding to nationwide scale. It is worth noting that even in this case, government funding is still required for a portion of the costs of the expanded program.

## Part Five | The Corporate Involvement Initiative

### *The Role for Foundations*

#### The Role for Foundations

Skeptical observers of the CI Initiative sometimes wondered whether there truly was a role for foundations in building CI. Such an observer might ask, “Why is a foundation making grants to help businesses? Don’t businesses already have enough money?” Or another might note, “If this is good business, some corporation would already be doing it. And if it isn’t good business, no corporation will do it for long. So why waste foundation funding on it?”

As is often the case with perceptive critics, both types of comments have an element of truth. Corporations have far more power and assets than low-income individuals. And corporations are good at figuring out whether potential new business is profitable and innovating rapidly to grab that business if it is. Accordingly, there is a risk that making grants intended to help move corporations to change their behaviors and use their core operations in ways that benefit low-income individuals may be a fruitless or inefficient way of increasing income and assets for low-income individuals.

But the skeptical comments miss some important realities as well. Corporations often don’t have accurate information about low-income individuals and markets. They may not perceive the benefit to investing in these markets, particularly at the research and development stage. They also typically don’t capture the whole benefit from creating a market and so don’t have incentives to improve the market as a whole. Accordingly, the research team’s analysis found that there are two enduring roles that foundations can play in building Corporate Involvement. The first is the role of seed capital investor — deploying relatively small amounts of capital, invested to explore new strategies, options and markets, which, if successful, can leverage large amounts of corporate capital. The second is the role of helping to build a field of practice — creating the social and intellectual capital that can then be used to harness the energy and creativity of managers, researchers, advocates and regulators in more productive and coherent ways. This section looks at each of these roles in turn.

#### Supporting The Development Of New Strategies, Products And Services

*Finding: Commitments of flexible, long-term, risky funding are critically important to developing new CI strategies.*

Interviews with grantees provided strong support for the view that foundation funding was critical to the development of CI strategies and that it played unique roles, including:

- **R&D Funds Needed for Untested Business Practice/Strategy:** Although CI is intended to benefit business as well as communities, many businesses are skeptical about the profit potential of untested business practices and strategies. Grant funds enable nonprofit organizations to work with business to develop and test products, services and processes, and thereby reduce business skepticism and barriers to CI participation. This can include both direct funding for product development as well as support for the cost of testing and implementing. It can also include research to understand the sources of market failure and the steps needed to correct them. An example of R&D funding has been grant support for the use of credit enhancement in the financial services industry. For a number of grantees, such as Self-Help, credit enhancements supported with foundation funds are being used to test out new products and approaches that were perceived to have high levels of business risk; however, once a new practice is proven in the market, credit enhancements at the same level should no longer be required.



- **Support for Capacity Building:** Developing scalable business solutions often requires business-nonprofit partnerships that reshape business practices to benefit low-income communities while pursuing profits. Many nonprofits need multi-year funding to develop their capacity to be an effective partner with business and influence business practices.
- **Long-Term Core Support:** Many of the nonprofit organizations working in the CI field require core support.
  - Some organizations serve a dual client base (business and communities) and, while they obtain support from both business and philanthropy sources, would not be able to support themselves without both. More importantly, they would not be able to stay true to their dual client mission if they did not have philanthropic support. In general, long-term core support is required for the knowledge generation, advocacy and communication portions of grantee strategies. The costs of these are rarely covered by the fees generated from market activities.
  - Even business service organizations like Business for Social Responsibility or The Conference Board, which are able to support a portion of their budgets through fees, need philanthropic funding to support more cutting-edge activities or research that has field-building potential.
- **Seed Capital for New Market Intermediaries:** Some organizations create new market intermediaries, which help to reshape markets by providing new information, services and methods for aggregating supply and demand. These market intermediaries are stand-alone organizations which have the long-term ability to generate income from their activities. However, like any start-up enterprise, these organizations need patient seed capital to build their presence in the market. Because the nonprofit capital markets are undeveloped, this type of capital is hard to find, and philanthropic funding can be a key source of start-up capital. For example, grant and loan funds were critical to the start-up of Working Today, enabling it to gain sufficient scale to function effectively as an intermediary.
- **Evaluation:** Evaluative research, conducted by objective third parties, is often important in determining whether CI practices are profitable to businesses and beneficial to communities. For example, the evaluation of the National Home Safety Partnership's impact on insurance losses by Roosevelt University helped insurance companies to accept the credibility and reliability of the results. In addition, evaluative research can help determine the extent to which markets require public policy interventions in order to become better aligned. This is another role that foundation funding is uniquely suited to fill.

Grantees noted that the length of funding commitment and the flexibility of the funding commitment were particularly important. Being freed from having to fundraise every year enabled grantees to focus more time and attention on their programmatic work and to make bold moves that would have been too risky without multi-year support.

*Finding: A foundation's reputation can enable it to play a unique role in helping to build credibility and partnership opportunities for grantees.*

The Ford Foundation played an active role in convening grantees and potential partners in the CI Initiative. Many grantees reported that the Foundation's reputation enabled it to gain access to key decision-makers and to connect decision-makers to grantees in ways that the grantees would have been hard-pressed to do themselves. For example, Self-Help reported that Ford played a pivotal role in helping Fannie Mae to see them as a viable partner, and in building a solid relationship between Fannie Mae and Self-Help. This relationship was an important component of Self-Help's success. The grantees encouraged other foundations to consider playing this role. This role of convening and relationship development is critically important.



## Working To Build A Field

In its work in the Corporate Involvement Initiative, the Ford Foundation sought not only to build the capacity of individual organizations but also to create a recognizable field of practice in what was, at the start of the Initiative, an amorphous and diffuse area of work. This section of the report provides a definition of a field and discusses why building a field is an important activity for foundation support. It then discusses how the Ford Foundation worked to build the field of Corporate Involvement.

### *What Is A Field, And Why Does It Matter?*

A “field of practice” is defined by the following three characteristics:

1. *Common focus.* The individuals in a field of practice are all working on the same set of core issues.
2. *Community of practice.* The individuals in a field of practice use a similar set of approaches and methods for addressing these core issues. Although there may be considerable differences in individual approaches to the work, there are usually some broadly shared norms and values that most of the individuals working in the field adhere to and exemplify in their work. There may also be an organization charged with ensuring that individuals working in the field adhere to specific standards or codes of conduct.
3. *Collegial relationship.* The individuals in a field of practice know that they are working on the same issues as their colleagues. They see value in sharing information about their practice and seeking advice from colleagues.

Why does being a field matter? Because fields are effective and efficient ways of developing and improving professional practice. If individuals understand that they share a common focus and are part of a community of practice, they will recognize that they can learn from each other. They will be willing to invest time and energy sharing their practice with each other. They will work to develop resources that can be shared and that can help them all address common issues more effectively.

Becoming a field also helps create a shared identity. It helps to create a set of expectations, both for people inside the field as well as those outside the field, as to what professionals in the field ought to be focusing on and the kinds of tasks in which they should be involved. When the field becomes mature enough, it also helps to create career paths into and through the field.

Finally, and most importantly for the work of the CI Initiative, a field helps participants to develop and achieve shared goals and a shared vision. Through this, it creates opportunities to find effective partners for collaboration. Since partnership is a key element of CI, developing a field became a critical methodology for spurring the development of effective CI.

Over the eight years of the CI Initiative, the Ford Foundation was able to help the practice of CI to coalesce into a field. When the Foundation started its work in CI, the grantees did not see themselves as working on the same issue, and did not identify other grantees as important resources for advice, assistance and partnership in achieving their program goals. By the end of the CI Initiative, the grantees clearly saw that their work was part of the field of CI and could articulate how their work connected to the work of other grantees. Grantees shared best practices, advice and information with each other, and there were many active collaborations under way.

The Foundation used a variety of approaches to attain this result. Below are some of the most effective field-building practices utilized.

### **Community Of Practice**

One of the core activities in building the field was the creation of a community of practice. The Foundation helped create this community of practice by bringing together its grantees each year for a two-day meeting at which the grantees shared information, approaches and results. These grantee convenings were designed to help

grantees begin to see the approaches and practices that were common to their work and to develop frameworks for understanding their practice. Many of the concepts in this report were developed at the grantee convenings and refined over time.

The Foundation also actively fostered and supported collaborations between grantees. Working together on a shared project is a powerful way of developing shared practice and cross-fertilizing new ideas and approaches. Because CI is a field that is very much about cross-sector partnership, it was essential to create opportunities for actors in the field who have very different missions, operating styles, and organizational forms to interact and build shared goals and practice.

The Foundation also created a Web site and an e-newsletter to enable grantees to easily share information with each other about activities, events, papers and reports.

### Strategic Communications

The Foundation sought to weave strategic communications into the activities of the Initiative from the start. It saw communications as central to building a field, and sought to go far beyond the usual “brochure and Web site” model that is typical for many initiatives. In the earliest phases of the Initiative, the Foundation conducted a search for a strategic communications firm that could create awareness, interest and leadership among business executives in CI and counsel the work of individual grantees so that they could enhance their capacity as partners with business. The Foundation engaged Laufer Green Isaac (LGI), a strategic marketing communications firm specializing in social issue marketing and global corporate citizenship.

Overall, the CI Communications Program entailed a two-pronged approach: 1) focusing on cross-cutting and strategic communications issues at the Initiative level and 2) working directly with individual CII grantees to achieve their organization’s communications objectives. Creating a united voice for the diverse grantees was essential to building the field — both publicly and in the eyes of the grantees themselves.

Early on, LGI implemented an assessment of the CI Initiative grantees’ communications capacity. This informed the evolution of the grantee portfolio, development of a communications strategy for the emerging field and specific capacity building needed by individual organizations. To enhance the development of its strategy and grantee capacity, LGI also conducted groundbreaking research on CI. Later known as *Hidden Agendas: Stereotypes and Cultural Barriers to Corporate-Community Partnerships*, this research identified the perceptual and cultural disconnects between senior-level business executives and nonprofit leadership. The research informed LGI’s framing and language for the CI Initiative Communications Program and inspired the development of several innovative products. For example, over 40 Initiative grantees completed LGI’s customized *Speaking the Language of Business* training that helped senior leadership of these organizations to learn how to define their value-added to business, lead with the business benefits of CI, effectively use business language, overcome the “pathology of begging,” and successfully function within business culture without losing sight of their mission. In addition to informing the development of new products, the *Hidden Agendas* research itself acted as an ambassador for the field — with LGI receiving more than 20 national and international invitations to present the findings.

Communications also proved to be a catalyst for increased grantee interaction. LGI proactively engaged grantees about new communications and Initiative activities on a regular basis — making LGI a central resource to grantees and to Foundation staff managing the CI Initiative. The CI Communications Program also sparked the exchange of information among grantees, new joint ventures and cross-pollination of grantee work. For example, two grantees, The Conference Board and the International Business Leaders Forum co-hosted a journalist roundtable attended by over 25 reporters from Inc., the BBC, The New York Times and many others. The educational event featured a stimulating dialogue between senior executives and grantees such as the Initiative for a Competitive Inner City, the Milken Institute and the National Association of Manufacturers.

LGI also developed the Web site [winwinpartner.com](http://winwinpartner.com), noted previously, which profiles companies pursuing win-win CI strategies for business and communities. In addition, it is an information clearinghouse about grantees, guiding companies and media to key resources in the field of CI — and thereby helping to define the contours of the field. The Web site now averages nearly 30,000 unique visits and 400,000 hits per month.

Finally, building grantee communications capacity has provided these organizations with crucial tools that can enhance their sustainability — increasing their ability to secure support from funders, partner profitably with businesses or developing a viable revenue stream.

### **Knowledge Creation**

The Foundation built learning about the field and about the Initiative into the design of the Initiative. This took several forms. Each year, the Foundation commissioned analytic work and original research about the field as a whole. This work was often presented to the grantees at the annual Convening for their reaction and input. Some of the work also led to the development of reports, books and presentations that have been gained wide circulation outside the Initiative. These include *Business and Community Development (Rochlin and Boguslaw, 2001)*, *Business and Economic Development: The Impact of Corporate Responsibility Standards and Practices (Monaghan, Sabater and Weiser, 2003)*, *Community-Enabled Innovation (Sabapathy and Weiser, 2003)*, *Conversations with Disbelievers (Weiser and Zadek, 2000)*, *Corporate Citizenship in the New Century (Muirhead et al., 2002)* and *Putting Partnering to Work (Business Partners for Development, 2002)*. These works have been helpful in developing the intellectual capital of the field, introducing the field to a wider audience and drawing more organizations into CI.

The Foundation also commissioned a mid-term assessment of its work. This assessment, which was conducted for internal use at the Foundation, helped to sharpen and clarify the Foundation's understanding of the process of developing CI and of the elements of effective CI practice. It also helped the Foundation to retool its work in order to enhance and improve its impact. The Foundation also provided funding for evaluations of the work of many of the grantees. These evaluations both helped the grantees understand the impact of their work and to identify key elements of effective practice. These evaluations were crafted so as to be useful both to the individual grantees and also to the wider Initiative audience.

At the end of the Initiative, the Foundation created a “Learning Agenda,” which sought to capture, distill and make available the lessons learned from the Initiative as a whole. This report is a summary of that work.

### **Support For Field Infrastructure**

The Foundation provided support for anchor organizations that form the infrastructure for the field. These organizations serve the field by conducting research, communicating best practices and case studies, providing training and networking opportunities, and advocating on behalf of the field. They create spaces for the key players in the field to learn and connect with others. They help to produce and warehouse the new ideas for the field as a whole. Examples of such organizations include Business for Social Responsibility, The Center for Corporate Citizenship at Boston College, The Conference Board and the Institute for Social and Ethical AccountAbility.

The Foundation chose to work with existing organizations rather than to create new ones to serve these goals. Working with existing organizations helped to increase the speed of development of the field and to improve the sustainability and credibility of the field. But it also required working to build new capacities in existing organizations, as this was a new field requiring new approaches and competencies.

The Foundation also provided support for an initiative manager — an organization tasked with the responsibility of managing the learning process, helping to coordinate grantee activities, and designing and facilitating the annual convening of grantees. It used the consulting firm of Brody•Weiser•Burns for this role. This proved to be a helpful approach for an initiative as complex as this one because it freed up the program officer at the Foundation to focus on making grants and PRIs. It also provided continuity throughout the Initiative's learning and convening activities.

## Part Six | The Corporate Involvement Initiative

### *The Challenges Ahead*

#### The Challenges Ahead

The practice of Corporate Involvement has demonstrated substantial promise as an effective strategy for mobilizing private sector resources to increase assets for the poor and benefits for business. The majority of nonprofits and businesses that participated in the Initiative have institutionalized the practice of CI yielding competitive advantage and community wealth.

At the same time, CI faces significant challenges. Problems born of poverty and lack of opportunity continue to grow around the world at an alarming rate. With the role and resources of governments continuing to diminish, the participation of the business sector, in alliance with nonprofit leaders in economic development, is a matter of urgency.

Below are areas of concentration for practitioners and funders if Corporate Involvement is to grow and achieve scale and impact:

#### 1. *Increase business leadership for CI.*

The practice of CI has moved out of the backwaters and into the mainstream of business strategies. However, leadership from top corporations for CI is limited to a few firms and a few top leaders. The field needs to deepen its leadership among the leading firms. In addition, it is important to broaden the awareness and practice of CI from multinationals to small- and medium-sized enterprises (SMEs) globally. SMEs contain the majority of the world's labor force and are, therefore, of critical importance to community and economic development. New approaches will need to be devised to engage SMEs in CI, given their more limited resources.

#### 2. *Improve the evidence showing the financial benefits of CI.*

There is growing evidence that CI can support the strategic goals of businesses, but there is only limited buy-in from Wall Street of its relevance to business performance. It is important to develop high-quality data in a wide variety of markets showing how CI improves financial results. As more evidence is generated, it needs to be conveyed through the finance and business media and other communications channels using spokespeople trusted by the business community.

#### 3. *Continue capacity building for nonprofits working on CI.*

Nonprofit organizations play a critical role in implementing CI, acting as value-added partners to business through product development and dissemination, and acting as market intermediaries, information clearinghouses and public policy advocates. However, due to insufficient organizational scale and lack of financial stability, too many nonprofits have difficulty playing these roles. Capacity building is critical if CI is to expand and achieve sustainability over time.

#### 4. *Empower stakeholders.*

The corporate responsibility agenda has experienced most traction when stakeholders of the firm play an active role. These stakeholders — shareholders, consumers, employees, business partners, government, media, etc. — are conduits for society's expectation about the firm. Given that a firm's reputation is a key



business asset, these stakeholders have the potential to influence business behavior. However, to be effective, these groups need mechanisms to help shape and convey their voice. This challenge of corporate governance and accountability, intensified since the Enron and other corporate scandals, is one that requires substantial attention by all sectors.

**5. *Build supportive public policy.***

CI requires supportive public policy. When there are market failures, government can play a critical role in creating incentives to ensure that certain groups have access to essential goods and services (e.g. Low Income Housing Tax Credit). Public policy can also play a critical role in ensuring that negative externalities of business operations are internalized (e.g. pollution regulations) and setting appropriate business standards so that good corporate citizens are not penalized for their actions. It is also essential that public policy establish mechanisms for corporate transparency and accountability.

**6. *Develop long-term funding sources.***

Developing CI requires stable funding for nonprofits that have been critical in generating innovative approaches that address business and social problems. However, there is a lack of funding for the field, especially in the United States. A failure to build long-term funding sources could jeopardize the ability of the field to generate continued impact. Practitioners of CI can learn from other social causes to craft appealing stories and messages that attract supporters and exert an emotional pull. Creativity and dedication will be required to develop the funding needed to enable this field to grow steadily over time. For the philanthropy sector, engaging business and markets in addressing important social and environmental problems is a relatively new approach that will require working “outside of the box” and re-evaluating certain assumptions that guide our theories of social change.

We hope that the information and analysis in this report will assist funders, business managers, government officials and nonprofit practitioners to understand how to leverage business to create scaleable and sustainable approaches to building income and assets in low-income communities and how to choose and promote effective Corporate Involvement strategies. Business will continue to play a prominent role in society. As such, tapping its strengths for social good is a worthwhile challenge for all who are concerned with creating a just and prosperous world.



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## Endnotes

1. The Corporate Involvement Initiative was a program activity of the Economic Development Unit of the Ford Foundation. The Economic Development Unit is part of the Asset Building and Community Development Program.
2. A “field of practice” is defined as any set of activities and actors that share three characteristics:
  - *Domain*. There is a specific set of issues that are identified as being at the core of the field.
  - *Community*. There is a set of individuals who are working on, or concerned about, these issues. Individuals are able to identify the extent to which they are part of this set.
  - *Shared practice*. The individuals in the community have developed similar methods of addressing these issues.
3. Local organizations involved as value-added resources to business include a wide range of local entities, such as community development corporations, community development financial institutions, business civic organizations, chambers of commerce and educational institutions.
4. The Foundation has published several reports concerning its asset-building initiatives in the U.S. and around the world. More information about the assets framework and about the Corporate Involvement Initiative can be found at [http://www.fordfound.org/publications/recent\\_articles](http://www.fordfound.org/publications/recent_articles)
5. Diagram provided by Pete Plastrik and Richard Anderson, Presentation to Corporate Involvement Initiative, February 9, 2000.
6. Market structure refers to the organizing elements of the market. One definition, adapted from Michael Porter, includes the following five components:
  - Consumers (preferences, purchasing power)
  - Firms (production costs, strategies, cultures)
  - Inputs (labor, capital, raw materials)
  - Exchange (information, transactions, distribution mechanisms)
  - Environment (including regulation, supportive institutions, social expectations)
7. It is important to note that the degree of market alignment often shifts over time in response to public policy, stakeholder preferences, new products and services, and technological innovations.
8. Based on the idea that all Americans should have access to the structures that subsidize homeownership and retirement savings of wealthier families, IDAs encourage savings efforts among the poor by offering them matches for their own deposits. IDAs reward the monthly savings of working-poor families who are trying to buy their first home, pay for post-secondary education, or start a small business. These matched savings accounts are similar to 401(k) plans and other matched savings accounts but can serve a broad range of purposes. The matches are typically funded by government or foundations.
9. In this case and several that follow, we focus on one of the business partners of a CI Initiative grantee. DreamWorks SKG was one of the business partners of Workplace Hollywood, a CI Initiative grantee. Green Mountain Coffee, in the following case, was one of the business partners of TransFair USA, an Initiative grantee. We focus here on the business partners because they provide a good illustration of why identifying and motivating champions has a significant impact.

## Appendix A - Descriptions of CI Grantees

*Abt Associates* is a research and consulting firm that applies rigorous techniques to a wide range of issues in social and economic policy, international development, business research and consulting, and clinical trials and registries. Through its consulting engagements, Abt Associates endeavors to improve the quality of life and economic well-being of people worldwide.

*AccountAbility* is an international, not-for-profit, professional membership institute promoting accountability for sustainable development. It does so by developing management tools and standards, conducting research and public policy advocacy and by offering training and professional development.

*Aspen Institute, Business and Society Program* develops leaders for a sustainable global society. It convenes leaders from all sectors to envision new pathways to sustainability with a special focus on the training and development of business leaders. The Business and Society Program is also the leading source tracking innovative curriculum in top business schools around the world.

*The Bay Area Council* presents a strong, united voice from more than 275 major employers from the San Francisco Bay Area in promoting progressive regional public policy. With more than 50 years of effective business leadership in the public policy arena, the Council is aggressively addressing the challenges that affect the economic well-being and quality of life in the nine-county Bay Area.

*Brody•Weiser•Burns* is a management consulting firm that enables corporations and nonprofits to bridge business and social goals. It builds corporate-community partnerships, writes business plans for nonprofit ventures and advises private placement social investors.

*Business for Social Responsibility (BSR)* helps companies achieve commercial success in ways that respect ethical values, people, communities and the environment. Founded in 1992, BSR is a global nonprofit organization of member companies of all sizes and sectors interested in learning about and adopting more socially responsible business practices. Today, BSR member companies have nearly \$6 trillion in combined annual sales and employ more than six million workers around the world.

*The Center for Corporate Citizenship at Boston College* is a corporate membership organization affiliated with the Wallace E. Carroll School of Management that provides executive training, research, tools and information that support the successful design and implementation of win-win corporate community involvement strategies.

*Civicus/Business Partners for Development* was a project-based initiative set up to study, support and promote strategic examples of partnerships involving business, civil society and government working together for the development of communities around the world.

*The Committee for Economic Development* is an independent, nonpartisan association of business and academic leaders known for its research and policy activities regarding critical economic and social issues such as growth and productivity of the U.S. economy, free global trade and greater opportunity for all Americans.

*The Conference Board*, founded in 1916, is the world's leading business membership and research organization and has a global network of nearly 2,000 companies in 60 nations. The Board creates and disseminates knowledge about management and the marketplace to help businesses strengthen their performance and better serve society. As a global, independent, public-purpose membership organization, the Board conducts research, brings executives together to learn from one another, convenes conferences, publishes information and analyses, makes forecasts and assesses trends. The Board is the world's most widely-quoted private source of management and economic intelligence.

*The Corporation for Enterprise Development (CFED)* is a national, nonprofit organization that creates economic opportunity by helping the poor save, invest, succeed as entrepreneurs and participate as contributors to and beneficiaries of the economy. By helping individuals and communities harness latent potential, CFED builds long-term models to help people move from poverty to

prosperity while strengthening the overall economy. The organization identifies and researches promising ideas; collaborates with the public and private sectors to test them; and helps drive the application and adoption of proven concepts.

*Council for Adult and Experiential Learning (CAEL)* is a national leader in the field of adult learning, and is the preeminent not-for-profit organization coordinating educational services for adults. CAEL provides individuals and organizations with the tools and strategies they need to create practical, effective lifelong learning solutions for their education and training needs.

*D2D Fund, Doorways to Dreams* is developing new ways to offer financial services to traditionally underserved households by forming innovative partnerships among financial service firms, technology firms, government programs and traditional nonprofits. D2D aims to create community and financial service innovations that will be self-sustaining, market-based, efficient and long-lasting.

*FutureWorks* is a consulting and policy development firm that designs, builds and manages the strategies, policies and institutions promoting sustainable economic growth on a regional basis.

*Initiative for a Competitive Inner City (ICIC)* engages private and public resources to build healthy economies in America's inner cities that create jobs, income and wealth for local residents. In addition, ICIC is a leading source of vital business data and economic analysis, demonstrating the market potential in America's inner cities.

*Jobs for the Future (JFF)* provides businesses with human resource solutions in the form of effective models and strategies that employers can implement to build a highly skilled workforce. JFF links employers to networks of local educational institutions and organizations that provide training, skill-development and support programs tailored to a firm's needs.

*The Kenan Institute's Center for Community Capitalism* provides research and analysis to policymakers on strategies to increase private investment in untapped markets, and to firms on business opportunities in underserved communities, including the market potential and impact of electronic commerce on low income neighborhoods.

*Laufer Green Isaac* is an award-winning marketing communications, and public relations firm. It specializes in creating national communications campaigns and in leveraging partnerships between corporations and nonprofits for mutual benefit. The firm counsels corporations, foundations and nonprofits to increase the effectiveness of their strategic communications.

*Local Initiatives Support Corporation (LISC)* assists community development corporations (CDCs) in transforming distressed neighborhoods into healthy communities. Among other things, this national organization provides low-cost financing and technical assistance for supermarkets, franchise ventures and other retailing in inner-city communities.

*Manpower, Inc.* is a world leader in the staffing industry, providing workforce management services and solutions to customers through 3,900 offices in 63 countries. The firm annually provides employment to two million people worldwide and is an industry leader in employee assessment and training.

*The Milken Institute* is an independent economic think tank whose mission is to improve the lives and economic conditions of diverse populations in the U.S. and around the world by helping business and public policy leaders identify and implement innovative ideas for creating broad-based prosperity. The Institute puts research to work with the goal of revitalizing regions and finding new ways to generate capital for people with original ideas. The Institute is nonprofit, nonpartisan and publicly supported.

*Mortgage Professor* is a Web-based resource for individuals seeking to purchase or sell a home.



*National Association of Manufacturers/Center for Workforce Success* is a century-old, nationally-respected trade organization for manufacturers offering educational information, industry data and resources for developing innovative workforce solutions for manufacturers seeking a skilled labor pool.

*National Community Investment Fund (NCIF)* is an independent nonprofit trust and certified Community Development Financial Institution (CDFI) that solicits investments from banks and institutional investors and reinvests equity and debt in regulated depository CDFIs. NCIF's mission is to increase the number and capacity of domestic, depository CDFIs that are effective agents of local community development and sound financial institutions.

*National Congress for Community Economic Development* is a national trade association for community-based organizations. It offers a variety of services to businesses interested in corporate-community partnerships including brokering relationships with local community-based organizations. Its areas of special focus are telecommunications, retail/franchising and healthcare.

*National Credit Union Foundation* makes grants to credit unions, leagues, state credit union foundations and other organizations that create programs to promote savings and asset accumulation for people of low economic means.

*National Housing Trust* offers lending institutions a unique opportunity to expand participation in affordable housing finance for America's low-income communities.

*National Minority Suppliers Development Council (NMSDC)* is the leading resource for finding and establishing successful partnerships with minority suppliers across the country. NMSDC has helped thousands of corporations meet or exceed their minority procurement goals through linking them with certified minority-owned businesses.

*Neighborhood Reinvestment Corporation* provides strategic counsel, field expertise and research data to insurance and other companies interested in tapping the market potential of inner-city neighborhoods.

*Net Impact* is a network of emerging business leaders committed to using the power of business to create a better world. Through its central office and 50 local business school chapters, Net Impact helps members broaden their business education, refine their leadership skills and build meaningful careers.

*One Economy Corporation* is dedicated to improving the standard of living of low-income people by ending their economic and social isolation through a home-based Internet strategy. One Economy works with partners to provide computers, Internet access training and comprehensive Web-based content to low-income households. One Economy's consumer Web site, [www.thebeehive.org](http://www.thebeehive.org), is a virtual support network that helps people move into the mainstream by building social and economic capital.

*Origin, Inc.* is a nonprofit social purpose labor supply and consultancy firm serving corporations, primarily in white-collar industries, throughout the United States and Britain. Origin leverages public funding sources and nonprofit training programs to create new career ladders for low-income working adults who qualify for public assistance.

*The Pension Rights Center* is the nation's only consumer rights group dedicated solely to protecting and promoting the pension rights of employees, retirees and their families.

*Self-Help Credit Union* is part of one of the nation's leading community development financial institutions (CDFI). Self-Help's mission is to create ownership and economic opportunities for minorities, women, rural residents and low-wealth families.

*Shorebank Corporation* is the nation's premier community development bank. Shorebank Advisory Services is in the process of developing a comprehensive inner-city database and a set of market research tools that will provide the vital market intelligence needed for selecting sites and targeting market segments in untapped markets.



**Social Accountability International (SAI)** works to improve workplaces and combat sweatshops through the expansion and further development of the currently operative international workplace standard, SA8000 and its associated verification system. SAI is a U.S.-based, nonprofit organization dedicated to the development, implementation and oversight of voluntary verifiable social accountability standards. SAI is committed to ensuring that standards and the systems for verifying compliance with such standards are highly reputable and publicly accessible.

To accomplish this, SAI:

- Convenes key stakeholders to develop consensus-based voluntary standards
- Accredits qualified organizations to verify compliance
- Promotes understanding and encourages implementation of such standards worldwide

**Social Compact** has created a pioneering market analysis model — the Neighborhood Market Drill Down — built on innovative sources of dependable, business-oriented data that will support successful investment decisions in inner-city markets. Its Social Compact Awards program recognizes model business strategies for investing in traditionally undervalued neighborhoods.

**Social Investment Forum** is a national nonprofit membership organization dedicated to promoting the concept, practice and growth of socially and environmentally responsible investing. The Forum's membership includes over 500 social investment professionals and institutions.

**Social Science Research Council** is a nonprofit, international organization that seeks to advance social science throughout the world and supports research, education and scholarly exchange on every continent.

**Social Venture Network** offers small business entrepreneurs the opportunity to network with their peers in the quest for community conscience solutions to current business challenges.

**The Prince of Wales International Business Leaders Forum** is an international not-for-profit organization founded in 1990 to promote and facilitate socially responsible business practices that benefit society and help to achieve development that is socially, economically and environmentally sustainable. The Forum works at the very highest level of business, with UN Organizations, the World Bank, the World Economic Forum and the World Health Organization and is supported by some 70 of the world's leading multi-national companies. The work of the Forum has been active in some 50 emerging and transition economies.

**TransFair USA** is a third-party certifier of Fair Trade practices and is developing a strategic partnership among empowered farmers, informed consumers, and companies that are beginning to address social and environmental issues. TransFair USA's mission is to empower disadvantaged producers as well as consumers and businesses in the U.S. through direct and equitable trade.

**The U.S. Chamber of Commerce** is the world's largest business federation representing more than three million businesses and organizations of every size, sector and region. The Center for Workforce Preparation (CWP), a nonprofit affiliate of the U.S. Chamber, deals solely with education and workforce development issues. Through its access to a broad network of chambers, CWP is on the forefront helping businesses and chambers in their communities find, use and build resources to support productive workplaces and develop a skilled workforce. CWP, in partnership with local chambers and other workforce development organizations, is addressing a key employer concern — finding, retaining and advancing qualified workers.

**Working Today** is a national nonprofit organization that represents the needs and concerns of the growing independent workforce through advocacy, information and service. Working Today offers low cost health insurance and other benefits to independent workers and encourages access to the same services and protections available to the traditional workforce.

## Appendix B - Research Methodology

The findings in this report are drawn from an analysis of 54 grants and program-related investments (PRIs) made by program officers in the Ford Foundation Economic Development Unit from 1995 to 2003. All of these grants and PRIs were made to organizations that were seeking to promote Corporate Involvement with low-income communities. Of these grants and PRIs, 49 were made as part of the Ford Foundation Corporate Involvement Initiative, and 5 were made in other program areas within the Economic Development Unit.

*We structured our research around the following core question:*

### **“How can foundations and grantees increase the scale and speed of Corporate Involvement that builds assets for low-income individuals?”**

#### *Data-Gathering*

We gathered data in several forms. First, we collected and reviewed all grant proposals and internal grant documents for CI Initiative grantees to determine the grant goals, strategy, deliverables and maturity. We then reviewed all the reports, studies and presentations that had been given to the Ford Foundation by the grantees in the course of their funded work. Finally, we conducted semi-structured interviews with all 54 grantees, except for those grantees where the grant had been solely for the production of a research report. In those cases, we followed up with specific questions around the report.

Our semi-structured interview typically lasted three-to-four hours and was conducted in person whenever possible. The interview was constructed in five sections:

1. **Overview of Organization’s Work in CI:** We focused in this section on the organization’s theory of change — the core issue that they sought to address and their understanding of the process that would lead to successful change in this issue. We asked the grantee about the key facts and analysis underlying their work and how this informed their strategy. We also looked at the critical challenges that they needed to overcome in order to succeed and how they planned to measure their progress.
2. **Building Business Awareness, Interest and Commitment:** Because the Initiative invested heavily in changing business attitudes toward low-income communities and building bridges across sectors unaccustomed to working together, during our interviews we focused on the ways in which communications played into the grantee’s work. We looked at the communications strategies that they employed and the audiences that they were trying to reach. We asked about content and form of their message and how they addressed skepticism by their audience. We also asked how they were able to mobilize other business organizations and individuals to carry their message and the specific metrics that they used to track their progress.
3. **Developing and Adopting Market-Based Approaches:** We asked in this section about the grantee’s role and experience in helping companies change their policies and practices in ways that improved the assets and income of low-income individuals. We also looked at how the grantees worked to change the structure of the market or the enabling environment to make market-based approaches more feasible. For each of these approaches, we asked in detail about the specific role that the grantee played (i.e., developing new ideas, disseminating information about existing ideas, developing support for changes in the environment, etc.). We asked in detail about what the grantees identified as critical success factors and breakthrough events. We also sought to understand the specific competencies required to achieve these results.
4. **Organizational Change:** In this section, we asked about the organizational structure and change processes required for companies to adopt and promote Corporate Involvement. We wanted to understand both the

barriers that keep companies from embracing CI and to understand the roles that the grantee played in facilitating the changes that take place inside the company in order to adopt, scale up and institutionalize CI.

5. **Looking Forward:** We closed the interview by asking the grantee to reflect broadly on the impact of their work in CI and the important lessons that they learned. We sought their ideas on the greatest leverage points in this work and on surprises and unexpected outcomes. We also looked at how their organization had changed through engaging in this work and what advice they would have for others who wanted to engage in CI in the future.

### *Analysis*

We started our analysis by summarizing the answers to all of the questions and developing a database that enabled us to sort and compare the answers to specific subgroups of the grantees. We then developed a rubric that enabled us to distinguish between different levels of achievement among the grantees. We looked at three different types of achievement:

1. *Output achievement:* Were the grantees able to complete the specific activities that they had planned? Almost all grantees were, in fact, able to complete the specific activities funded by the grant, so that this level of achievement turned out not to be important for our analysis. Accordingly, it is not discussed in the text above.
2. *Outcome achievement:* Were the grantees able to show that they had created identifiable and measurable benefits for both businesses and low-income individuals? As noted in this report, very few of the grantees were able to show measurable benefits in the form of increased income and assets for low-income individuals, or increased profits for corporations. Instead, most grantees focused on gathering information on measurable improvements in intermediate outcomes. For low-income individuals, this included outcomes such as more affordable mortgages and homeowners insurance, higher rates of placement into good jobs and increased access to affordable health insurance. Examples noted in this report included data gathered by Self-Help on increases in affordable mortgages for low-income individuals and data gathered by TransFair USA on increases in prices paid for coffee purchased from low-income farmers.

For businesses, these outcomes included increased sales, reduced costs, increased access to a trained workforce, and improved reputation and brand. Examples noted above include data gathered by Manpower on increased access to a trained workforce and data gathered by insurance companies on increased sales to low-income neighborhoods. For grantees focused primarily on building the capacity of the CI field to promote, develop and diffuse CI practice, the outcomes we examined included media coverage, endorsements by opinion leaders, traffic to Web sites, and inclusion in conference and meeting agendas. Examples noted above included data gathered by Laufer Green Isaac on the traffic to its Web site and data gathered by ICIC on news coverage of the competitive advantage of the inner city.

3. *Scale achievement:* Were the strategies, products, services and approaches created by the grantees able to go to scale? This measure was used primarily in our analysis of the factors leading to success in creating scalable solutions.

We looked at the grantees and their activities on a variety of dimensions and used the data on achievement to come to an understanding of what distinguished superior from mediocre performance along each dimension. By holding specific topics and strategies constant, we were able to tease out findings regarding the factors that enabled the grantees to have a greater or lesser impact. We also were able to develop some clarity around causality, although this was often complex, as there were multiple factors simultaneously enabling and dampening Corporate Involvement.

For example, we developed a finding that “Developing relationships with opinion leaders and mobilizing business networks was a key competency in promoting the adoption of innovations in CI.” We developed this finding by looking across all the grantees answers to topic 3 in our survey: *Developing and Adopting Market-Based Approaches*. We sorted the grantees into groups of high, medium and low achievement on intermediate outcomes and looked at all the data collected to see what predicted the placement of grantees into the various groups. From this analysis, we were able to see the key role of developing relationships and mobilizing opinion leaders in the grantees’ work, which led to our finding.

We then developed several overarching frameworks that would explain and organize the findings. We presented our frameworks to our Advisory Committee, a panel of experts in the field, and received highly useful feedback on the framework. We gathered additional information from the grantees on certain specific points and then re-analyzed the data. We developed the revised frameworks which are contained in this document.

We presented these frameworks and findings to a convening of forty of the grantees, in addition to other field experts. Again, we received detailed feedback on the findings and the frameworks, which helped us to improve the clarity and organization of our work. The feedback we received was invaluable and strengthened our report considerably.

### *Limitations Of The Research*

There are a number of significant limitations in our research. The most important are the limitations in data on outcome and scale achievement. With regard to scale achievement, many of the grantees are pursuing multi-year strategies and their grant activities are still in progress. As a result, they do not yet have much in the way of measurable results on scale and outcomes. Specifically, we classified 56% of the grantees as being “too soon to tell” regarding whether or not they had achieved scale.

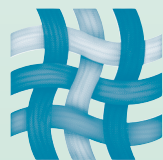
With regard to outcome achievement, many of the grantees are working at making systemic change in large-scale and complex systems. There are myriad factors influencing the system, many of which have some effect on the income and assets of low-income individuals. As a result, it can be quite difficult to develop detailed outcome data showing specific links between particular grantee activities and measurable improvements in income and assets for a particular set of low-income individuals.

To address this limitation, we focused heavily on the grantees’ theories of change in situations where there was not yet conclusive data on outcome or scale achievement. We sought to understand whether the theory of change was well-supported by other evidence. In other words, what evidence is there that there will be positive changes in income and assets for low-income people if the grantee actually is able to implement its strategy as planned? Once we understood the extent to which the theory of change was supported by external evidence, we then looked at how well the grantees were able to achieve their intermediate goals and the extent to which the trajectory of their activities and the system changes were tracking the theory of change. This then gave us a proxy measure for how well the grantee was likely to achieve its desired outcome.

Finally, it is important to note that this assessment is not an independent third-party evaluation. The primary data that we used in our analysis is the information provided by the grantees, both in reports to the Ford Foundation and in interviews with the research team. We did not develop our own independent verification of their reports. In a number of cases, there were third-party independent evaluations of the grantee activities and we made use of these wherever they existed.







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