

The League of Corporate Foundations, Inc.



A case study of an association of corporate foundations

I *Organizational Profile*

In 1991, 13 corporate foundation members of the Philippines' Association of Foundations, a nationwide network of non-government organizations (NGOs) and people's organizations, got together and shared their experiences as the philanthropic arms of their respective business organizations. The informal discussions eventually resulted in the establishment of the League of Corporate Foundations, Inc. (LCF). Officially registered with the Philippine Securities and Exchange Commission on November 13, 1996, LCF has increased its membership rapidly in the past decade to include 50 corporate foundations and business organizations. Current membership includes two NGO networks and six associate members (i.e., corporations with no separate social development foundations).

Governed by a seven-member Board of Directors, LCF is organized into seven committees, representing the major areas of involvement of the entire membership.¹ Elected every year, each with a two-year term, the Board selects officers from among themselves to serve for a year, effectively rotating leadership roles. Chairpersons of the various committees are likewise elected for yearly terms. A full-time Secretariat composed of an Executive Director and an Administrative Assistant provides support and program-related services both to the Board and to the different committees. For special projects, however, lead officers and members enhance the Secretariat support by seconding their own staff to help organize specific activities.

Over the years, aside from maintaining its focus as a service provider to its members to help bring about enhanced institutional capabilities in distinct areas of social development, LCF has evolved to effectively engage in external advocacy work. In this regard, information resources and networking contacts in addition to coordinative functions are lodged mainly with the Secretariat. Technical services such as research and training can also be accessed from and utilized by member foundations, either directly or facilitated by the Secretariat.

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¹The LCF Board has established the following committees: Arts and Culture, Education, Entrepreneurship Development, Environment, Health, Communications, and Research and Training.

Primarily driven by the Board of Directors, LCF implements its programs largely through the various committees. Programs jointly implemented by members of a committee are usually those that are commonly undertaken by individual members of the particular committee, thereby providing a venue to share best practices and maximize resources and impacts. Either as a whole or in specific projects undertaken by the committees, LCF works with government agencies and other social development organizations to help promote multi-sectoral partnership and cooperation.

LCF assesses member foundations with specific fees to supplement annual membership dues and defray expenses for common activities and, to a certain extent, fund projects implemented by the League as a whole. While principally dependent on these internal funding sources, LCF has also received grants for the implementation of specific activities.

II *The Evolution of LCF:*

From Social Club to Social Catalyst

Aside from generating wealth and employment, private businesses have traditionally assumed the role of donors for community projects or welfare programs sponsored by the government. For the most part, however, their involvement in social development has been in the form of financial assistance that has amounted to dole-outs and resulted in short-lived palliatives.

While many of these projects were implemented with or through NGOs, a number of business organizations have also established entirely separate organizations that serve as their philanthropic arms. In addition to serving as conduits of funds, these corporate foundations directly implement social development projects and are active partners of communities where they operate. Apart from their dual roles as implementing agencies and as donors of funds, corporate foundations are considered hybrid NGOs because they employ professional development workers to work within a business organization.

The following paragraphs describe the stages of development of the League of Corporate Foundations. In coming together to form an association of corporate foundations, LCF experienced numerous challenges and faced a variety of issues which needed to be resolved if LCF was to become an effective voice for corporate philanthropy.

1991-1994: The Early Years of Institution Building.

By the early 1990s, a number of corporate foundations had become members of the Association of Foundations (AF), one of the Philippines' oldest NGO networks. Compared to traditional NGOs in the network, corporate foundations had no difficulty generating funds to finance and sustain their operations. Realizing this particular potential of corporate foundations to help sustain the operations of other NGOs in the network, the incumbent Executive Director of the AF decided to organize member corporate foundations into a distinct sub-sector.

From the initial meetings, the representatives of corporate foundations realized that they had more in common among themselves than with the other NGOs in the network. While they enjoyed certain advantages because of their attachment to business organizations, the institutional nature of their organizations posed a unique set of problems. For example, while they were supported by their respective principals and managed their own funds, other NGOs looked upon them as elitists and considered them pseudo-NGOs.

In this context, the first sharing sessions served as therapy for the representatives of corporate foundations in the network. Much later, the realization that they could reinforce and learn from one another, analyze and solve common problems, come up with joint projects based on shared objectives and eventually strengthen their own individual organizational capabilities, served as a basis to initiate the conduct of more regular discussions.

Some of the common issues and challenges that surfaced during these discussions included:

- Perception of providing “window dressing” to the business operations of their mother corporations and acting as tax shelters.
- Need for external and internal advocacy to encourage other corporations to develop their own foundations while properly communicating their missions and objectives to concerned principals to solicit their support and make corporate social responsibility (CSR) a part of the strategic plan and corporate culture of the mother corporation.
- Establishment of a vision and strategic plan, as well as generating their own funds, to ensure long-term viability.
- Tenure, continuity and responsibility of staff assigned to corporate foundations by their mother corporations.

True to its emerging nature as a mechanism to help strengthen the capabilities of individual corporate foundations, the core group which eventually started LCF conducted brainstorming sessions to study and propose responses to address these formidable tasks. Individually and collectively, these sessions helped shape the values and direction of member corporate foundations and equipped them for the greater challenges that lay ahead.

1994-1996: A Period of Consolidation. From five members, the core group grew by another eight, so that by the time of its formal registration in 1996, LCF had 13 founding members. The official establishment of LCF came about only after the original core group overcame a major challenge in the form of a restriction that required prospective members of LCF to become members first of the Association of Foundations. As the corporate foundations became aware of their commonalities and started to veer away from the AF to informally organize as a distinct unit, other corporate foundations who were not members of the AF expressed interest in joining only LCF. Acknowledging the vast potential of an expanded group of organized corporate foundations, the requirement was eventually waived to allow non-AF members to join LCF.

Seeing the collective potential of the organization, it was suggested that LCF members adopt a common agenda and in the process influence each other’s programs. At that time, however, the members felt that each had a set of programs and priorities that they needed and wanted to pursue and they would not think well of LCF if it tried to impose one view on all of them. In addition, many of the founding members had little or no monitoring and documentation system in place for effectively evaluating the impact of their respective programs, which made identification of possible joint projects much more difficult.

The corporate foundations differed quite markedly in the institutional mandate that they enjoyed from their principals though they may have had similar governance structures and access to corporate resources. In the beginning, the differences in their institutional mandates did affect their ability to work together, but as the members accepted that the different mandates were valid in themselves and that the members’ programs added value to society, it became easier to work together on activities. For example, the “Flags for Public Schools,” a project to celebrate the Centennial of the Philippine Republic, did not affect the individual members’ programs and activities, but was an incremental project of LCF and there was no expectation that all members would give the same amount.



The utmost cooperation and transparency among the initial members enabled them to learn substantially from the experiences of one another. Relevant insights on best practices were freely shared with the group. In the process, both institutional and personal relationships were cultivated and significantly enhanced. Finally, in laying the groundwork for the strategic direction of LCF, the first leaders were visionaries who were not only highly committed, but also competent individuals with strong links to the business community.

This made LCF's agenda for growth and expansion not just realistic, but in tune with the needs of business organizations as a whole.

During this period, LCF had no full-time Secretariat and was functioning as a major committee of the Association of Foundations and therefore was serviced by the AF Secretariat.

1996-1999: Building on Achievements and Strengthening the League. Taking full advantage of the expanded social and political arena engendered by the People Power Revolt (also known as EDSA Revolution) in Manila ten years earlier, LCF was prepared to assume a substantially greater role in civil society by the second half of President Fidel Ramos' term. This was primarily because of the increased space that came about for work between civil society and government through oversight mechanisms that involved not only government, but also civil society and the private sector. Since LCF was a "hybrid" of sorts, it became a natural bridge between civil society organizations and the business community. The opening of the democratic space also brought down some of the tension that traditionally existed between civil society organizations and the business sector.

Specifically, LCF played an important role in the Trisectoral Forum, as it was the secretariat for the business sector and identified the major participants of the Forum from the business sector. Active involvement in the Trisectoral Forum boosted the image of LCF as a major player in policy advocacy and collaborative efforts involving poverty reduction and social development.

Gradually, the perception of corporate foundations as non-NGOs in the NGO community was overcome by working together with and extending resources to a broad range of partners in both the public and private sectors. In part due to a conscious effort to change their image, corporate foundations were seen engaging in mainstream programs like education, health and governance. At the same time, member foundations were gaining acceptance in their respective spheres of involvement because of the success they had achieved in their work.

In short, aside from its formal registration in November 1996, this particular period officially "legitimized" LCF and provided a venue for interfacing with other groups. In the process, it took on broader issues and linked up with bigger publics in crafting joint agendas and programs for social development. LCF, for example, figured prominently in overturning an effort to remove the tax deductibility of corporate donations, which eventually would have discouraged corporate philanthropy. LCF stood at the forefront when, together with other networks, it helped established the Philippine Council for NGO Certification (PCNC) as a certifying body for all NGOs in the Philippines to qualify for donee (grantee) institution status.

The League's work on this issue was one of the first ways that LCF became mainstreamed into advocacy work as well as into the networks of civil society organizations. More "traditional" organizations appreciated the fact that the League successfully facilitated discussions with the government. The PCNC experience was also a milestone in itself, as this was the first time government gave up part of its power and allowed the private sector to issue a certification to entities so they could enjoy tax deductibility benefits.

Internally, LCF embarked on two major projects during this period: a Compensation Survey among member foundations for purposes of profiling and the first institutional Strategic Planning session. While these activities marked high points in LCF's existence, the period was also characterized by a distinct set of challenges. For one, the impetus to look at and work on projects that could be jointly implemented by member foundations increased as LCF became more actively involved in other civil society networks. This was because, for the most part, LCF's achievements had largely been a compilation of the achievements of its individual members.

To attract new members, however, LCF needed to show the value of what it did and the benefits corporate foundations could derive from joining LCF, in addition to what CSR programs could give to the business bottom line.

Aside from communicating these concepts in trying to expand membership, the concomitant challenge unique to this particular period was membership development. Building on the original intention to be a self-help mechanism, LCF needed to be able to enhance the capability of corporate foundations, especially those that were just emerging, in planning and executing CSR initiatives. Even as an active recruitment drive in which each member was encouraged to enlist additional members was undertaken, LCF also embarked on a training needs analysis to establish the individual levels and relevant requirements of the members for training programs.

Perhaps most importantly, LCF realized the need to establish a full-time Secretariat to manage its operations effectively and efficiently. While a part-time Executive Director was hired along with an Administrative Assistant, the expansion of LCF's involvement in various networks and in different projects simply put to test the capability of the loosely organized Secretariat.

1999-2002: Exploring New Horizons. If the previous period involved high points in LCF's history, the years beginning in 1999 can be considered as a "coming of age." After the second People Power Revolt at EDSA, a lot of emphasis was placed on the role of NGOs and, as a consequence, LCF enjoyed stronger bargaining power in relation to its role and participation in civil society.

Aside from a rapid expansion in membership, LCF's increased participation in multi-sectoral initiatives and its enhanced role in civil society seriously tasked the existing Secretariat. Thus, a full-blown Secretariat with a full-time Executive Director and a new Administrative Assistant was constituted, just in time for the implementation of major initiatives: a Benchmarking Project and the celebration of the country's first ever Corporate Social Responsibility Week, mandated by a Presidential Proclamation. While the former aimed to come up with standards to measure the impact of members' contributions to social development, the latter highlighted the achievements of the corporate sector through its involvement in nation building. In 2002, the total assets of the 53 member foundations reached PhP 4 billion (roughly US\$79.2 million²), with a consolidated annual operating budget of PhP 1 billion (roughly US\$19.8 million³).

In all these milestones, the LCF Board can rightly claim credit for its role in the development of the association. As part of its work, the Board defines the programs and activities of LCF based on the strategic planning process. For example, there was an initial plan to raise an endowment for which preliminary work was begun. In the wake of the Asian financial crisis, however, the plan had to be shelved. As the crisis tapered, new discussions began to take place for fundraising, again led by the Board.



III *Evolving Challenges and Prospects for the Future*

The most fundamental challenge that LCF and its members can expect to address in the coming years is to sustain the commitment of the corporate community to philanthropy. Hence, internal advocacy among the principals of the respective mother corporations will have to be designed to push CSR and to encourage continuing contributions to social development. Part of the challenge is in communicating the noteworthy achievements and successful experiences of LCF and its members during the association's first decade. Dissemination of relevant information, even publicity, will also help by projecting the corporations of member foundations as responsible corporate citizens, thereby convincing companies to invest in social development for reasons other than helping the poor. In the long term, the establishment of a regional membership base as well as an invitation to small- and medium-scale companies performing CSR can further expand the universe of CSR adherents.

While addressing the image problem in terms of LCF's partnership with other NGOs, civil society-at-large and/or the general public may no longer be imperative, aligning its goals with nation-building objectives assumes a greater urgency. In relating to external agencies, the challenge for LCF is to maintain its leading role as the symbol of the business sector's commitment to nation building-. As such, government and other partner agencies can be expected to consult with LCF and solicit its support and assistance in strategic and critical social development undertakings. Thus, consistently articulating its vision and ably representing its various constituencies will help ensure that LCF can maximize not just its economic contributions but also the opportunity for synergy and dynamism.

Internally, LCF is expected to remain primarily accountable to its members and provide value-added services so as to engender a strong membership body.

As a self-help and support mechanism, one of LCF's main priorities is to support member foundations by way of helping them successfully implement social development interventions, either as corporate donors or as program implementers, such that reasonable returns on their social investments can be expected.

Hence, LCF is counted upon to help further enhance the capability of its members through information and research services and the provision of technical assistance and training in the areas of strategic planning, board management and resource mobilization. Indeed, the strength of LCF will be measured in the ability of its committees and individual members to respond to their leading roles as catalysts in specific areas of social development.

Perhaps the greatest challenge of all lies in strengthening LCF itself. Faced with the threat of mergers and acquisitions as well as issues of continuity and succession, the question of LCF's institutional sustainability is as real as organizational "downsizing." Whether LCF should evolve as a venue for joint projects that promote corporate philanthropy or as a resource center for sharing and learning best practices on corporate giving are issues to be examined as a part of providing the strategic direction necessary to lay the groundwork for stability and sustainability. In the interim, bilateral projects between and among members will continue to provide the impetus for viable partnerships within the association. In addition, as much as having dynamic standing and internal committees, keeping the Board active and thoroughly engaged is an important component of institutional strengthening.

²XE.com Universal Currency Converter™ rate as of July 2002.

³XE.com Universal Currency Converter™ rate as of July 2002.

Another key component of strengthening LCF is to build up the Secretariat. While the responsibilities of the Secretariat are coordinative in nature, since committee level activities are supposed to be handled by committee members themselves, the Secretariat is expected to provide technical assistance not just to the Board but to the different committees as well. Ultimately, the demands both for coordination and technical assistance in the face of increasing membership will exact a toll on the Secretariat that is already beset by a shortage of manpower. Another approach would be to better organize and strengthen committees to do their own secretariat work.

Finally, institutional strengthening will become a formidable challenge in the face of financial sustainability. Since annual membership dues, which are currently LCF's main source of funds, are spent mainly for administrative operations, there is an urgent need to source more funds or otherwise generate a sizable endowment fund. Aside from collecting dues, there is also a difficulty in soliciting funds from external sources because of the perception that LCF members in fact are attached to big corporations and are themselves donor organizations. Though some grants have been received, they have been earmarked for specific projects like CSR Week. Part of this particular challenge is to improve LCF's financial management system, including the generation and regular disclosure of audited financial reports.

IV *Guidelines and Lessons Learned*

Institutional Development

- An association of corporate grantmakers needs to establish a clear focus or mission at the beginning of its existence in order to distinguish itself from other players in the field of social development—to know what it is and what it is not. In this sense, LCF's special mission to advocate CSR in the business community and its partnerships with non-traditional partners of business organizations (such as government agencies and NGOs) to solicit their support and participation makes it a unique institution.

LCF's primary focus in ensuring CSR's contribution to social development is distinct from specific advocacy work being done by other concerned sectors in the business community, which may have outreach programs, but only as a secondary priority. Even as LCF shares some similarities with special interest groups both within and outside the business community, its relevance and value are measured in the kind of CSR initiatives that it promotes. The fact that competing business organizations work together in LCF is an interesting and welcome phenomenon.

- A common program that is identified and proposed for adoption by the entire membership will be difficult to implement owing to the nature of the membership. This is because there are inherently different priorities and areas of expertise among the members and the committees on which they serve. The consensus-building process required to come up with a single program can be a challenge. At best, lead corporate foundations with established exposure and experience in specific areas can be identified, with members at large having the option to "buy-in" to the particular project that has been identified for common implementation. This kind of synergy is happening at LCF's committee level, where



members meet more regularly and thus are able to identify and react more quickly to common areas of interest. In this regard, CSR Week has helped establish a venue where common activities can be highlighted while showcasing the work that all the members are doing individually.

► *An association of corporate foundations must continue to provide the business community with a venue to bring more corporations into the arena and highlight the individual and collective contributions of these organizations for the common good.*

Therefore, LCF must be able to show not just the social value and impact of its programs, but also the economic viability of corporate philanthropy as a whole.

Consequently, to help ensure LCF's relevance in the coming years, it must always prove the organization's value to its constituency, especially since there are many corporations that are ready to bring their involvement in social development to a higher level.

- The mother corporations of member foundations are important LCF stakeholders. Individually and as a collective sector, member foundations should abide by sound business practices such as operational efficiency, sound financial management, judicious allocation and utilization of resources. In terms of impact assessment, a degree of sectoral focus helps in the evaluation of projects and measurement of achievement, as against geographic focus because of the varying interests in any given community.

The personal commitment of members of the Board and principal officers will determine to a large extent the success or failure of an association and its activities.

Financial Sustainability

- Every association needs to prove its value to its constituencies, be they membership, donors or the general public, in order to generate sufficient resources to sustain its programs. While most, if not all, of LCF's members are financially stable and sustainable, unlike many NGOs, LCF itself is not self-sustaining and has to rely on internal funding sources to finance its operations. The challenge has been for LCF to mobilize resources to support its staff who deliver services to members.

Public Policy and Government Relations

- To expand the number and diversity of business organizations involved in social development programs, government should be encouraged to provide the infrastructure to entice concerned members of the business community to come into areas where social development intervention is most needed.

Overall, the real lesson from LCF's experience is that an organization cannot be forced to evolve before it is ready. LCF started because people felt there was a need to share, commiserate and learn. As they started fulfilling that need, they also found that they had resources among themselves that they could not underestimate, and that constituted a really valuable asset. However, they also realized that not all of them had assets and value in equal measure and there was a need for all to be better at what they do. In the beginning, there was no money involved, just people hosting different meetings. As the organization learned that there were things that they could do to improve its service to members, leaders began to think about organizing with a more fixed structure. The continued experiences of working together were important in bringing the group together. As they started working with other sectors, they realized they needed to add advocacy with the private sector to their objectives so that the sector could be more responsive to the needs of the poor.

Looking back, it can be argued that LCF would have indeed come into existence even if the founding members had not been involved in the Association of Foundations. While it might have taken longer, the realization of a common interest in working for the greater good of Philippine society, considering the amount of resources available to them, would have been enough to galvanize the group into formally organizing a network like LCF. Eventually, LCF's involvement with other networks helped sharpen its ability to promote CSR, establish standards of practice and enhance the legal and regulatory environment in the arena of civil society as a whole. As work with other sectors took place and reaped some degree of success, it enhanced LCF's image as a major player in the field.

LCF has managed to consistently learn from emerging challenges by adhering to a core set of shared values as an institution.

As crucial elements of its collective character, these values have enabled LCF to adapt to evolving organizational, social and historical pressures and will continue to influence its strategic direction and institutional development in the future. Some of these core values are integrity and transparency, competence and professionalism, teamwork and cooperation, and commitment and dedication.

