

getting down to business:

foundations and the business sector

WHY IT MAKES SENSE TO WORK WITH BUSINESS

On the face of it, health foundations and business may seem like rather strange bedfellows. Most foundations exist to make the world a better place, whereas most businesses exist primarily to profit financially. And while successful businesses make money, foundations give it away. Moreover, certain businesses – tobacco companies or the fast food industry – may be seen by health foundations as part of the problem rather than as part of the solution.

Despite their apparent differences, businesses and foundations – including health foundations – have found common interests and concerns and are working together on a wide range of issues. There are a number of reasons why, under the right conditions, it may make sense for them to do so.

First, the private sector, including the business community, controls the lion's share of the nation's resources. Over the years, many foundations have focused considerable effort on leveraging government resources; yet total government expenditures – federal, state, and local – account for only 28 percent of the U.S. gross domestic product (GDP). The remaining percentage falls within the private sector. Consequently, for grantmakers interested in leverage, it may be worth recalling the Willie Sutton principle: go where the money is. Furthermore, in addition to economic resources, the business community often has access to an abundance of high-caliber, technical talent and capacity that it can bring to bear on issues of interest to grantmakers. "They're organized, smart, and run by really competent people," says Karen Feinstein, president of the Jewish Healthcare Foundation of Pittsburgh (JHF), in describing her foundation's business sector collaborators.

Second, the nation's businesses affect the health and well-being of all Americans in countless ways: through the products they produce, which determine everything from what we eat, to what we drive, to what pills we take; through their marketing and advertising campaigns, which deeply influence our culture, values, and personal behavior; through their effect on the environment; and through the tens of millions of jobs they provide, including the income, working conditions, and benefits that come with those jobs. Even

relatively minor changes in business practices or corporate policies, such as eliminating trans fats from certain foods or providing health insurance and medical leave benefits to employees, can have a very real impact on the public's health.

Third, because it is one of the major purchasers of health care in this country, the business community collectively has significant clout that it can bring to bear on the nation's health care system, if and when it chooses to do so. One notable example is the Leapfrog Group, a consortium of large employers, including Boeing, FedEx, General Electric, Toyota, and Verizon, that has come together with support from the Robert Wood Johnson Foundation (RWJF) to try to improve the safety, quality, and affordability of the vast amount of health care that they pay for. Examples on the local level are the Pittsburgh Regional Health Initiative, launched in 1997 by JHF in collaboration with the local business community to dramatically improve patient safety, and Cleveland Health Quality Choice, an initiative supported by the Cleveland Foundation and most of the region's major employers to measure and improve the quality of hospital care.

Finally, the business community can often get the attention of lawmakers and other public officials in ways that foundations cannot. Businesses do not face the same legal prohibitions against contributions to political campaigns and lobbying on specific pieces of legislation that foundations face. In general, business and philanthropy have likely underestimated the extent to which their priorities

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– STEVE CASE, CHAIRMAN AND COFOUNDER, CASE FOUNDATION

and goals converge. As Steve Case, chairman and cofounder of the Case Foundation, noted: "there is no logical reason why the private sector and the social sector should operate on separate levels, where one is about making money and the other is about serving society. I believe we can and should be integrating these missions" (2006).

An example of this kind of integration might be a foundation-business partnership to improve workplace

health. For the foundation, workplace health is a key element of its overall strategy to improve the health of the community; for the participating businesses, it is a means of improving employee productivity.

Another example of this kind of mission integration occurred when the Chamber of Commerce in Richmond, Virginia, took the lead on an RWJF Urban Health Initiative grant. The foundation's principal goal was to improve the health and safety of Richmond's children; the Chamber's business leaders shared this goal, but also saw it as a way to improve the city's quality of life, which they believed would help make the region more competitive in attracting new businesses.

One funder sums up the potential value of foundations working with business:

Many of the resources people need to build the good life for themselves are provided by the private sector. They hire people, they fire people, they put productive facilities in places, they purchase goods and materials. It is hard to ignore a sector that has such a pervasive influence – potentially both for good and for bad. If we want to improve people's lives, we have to find ways to engage the private sector (GrantCraft 2004).

Arguably, the same could be said if the goal is to improve people's health.

WHEN IT MAKES SENSE TO WORK WITH BUSINESS

Although not every foundation initiative lends itself to collaboration with the business community, there are circumstances where working with business may make sense.

When the goal is to improve the performance of the health care system, business, because of its purchasing muscle, can be a powerful ally. But such efforts are not without potential pitfalls. The Cleveland initiative (mentioned earlier) floundered when one of the region's key providers dropped out, and an earlier RWJF demonstration program (Community Partners for Affordable Health Care), designed to engage local business leaders to contain health care costs, ran into a serious snag when it became apparent that many of the forces driving up health care costs were not, in fact, subject to local control.

When the goal is to gain the support of elected officials, business can be a potent advocate for policy change. In Hawaii, the Atherton Family Foundation and other foundations joined forces with the leadership of Hawaii's Business Roundtable in a successful effort to leverage more state and national resources for early childhood education. Steve Case of the Case Foundation notes that "adding the Business Roundtable's voice changed the early education

debate. When philanthropists ask the legislature for more money, they are often seen as do-gooders... But the business community came across as forward looking do-wellers, adding compatible powerful messages of Hawaii's productivity and competitiveness" (2006). Meanwhile, Arizona business leaders working with the Flinn Foundation, the Virginia G. Piper Charitable Trust, and others have played a key role in advocating for hundreds of millions of public sector dollars for biotechnology infrastructure costs. By the same token, business can be a powerful adversary in the policy arena. For example, national health care reform during the early 1990s, which was supported, in principle, by many health foundations, was successfully opposed by the health insurance industry, the pharmaceutical industry, and the National Federation of Independent Business.

When the goal is to improve the health and health care of working Americans, employers are obvious partners. The Missouri Foundation for Health recently sponsored a summit with key business leaders from around the state to discuss strategies for improving employee health and wellness and reducing health care costs. The Health Foundation of South Florida, meanwhile, is working with area banks, accounting firms, law firms, and other employers, as well as with local health care providers, health plans, and health information technology firms, to develop employer-based registries for disease management.

When the goal is to improve health by raising people's standard of living, the experience of foundations that have worked in the economic development arena suggests that business partnerships are key. An interesting example is the McKnight Foundation's support for an ambitious, regional economic development initiative that has been underway for more than twenty years in rural central Minnesota. Not only is there a long list of businesses that have contributed to the initiative as funding partners, but the initiative has also *invested* more than \$30 million in almost 800 locally owned businesses in an effort to preserve and strengthen the area's economic infrastructure.

When the goal is to leverage resources, the corporate sector can be a fertile source. A classic example is the Partnership for a Drug-Free America, established by the advertising industry to "denormalize" illegal drug use and supported by a number of foundations, including The Pew Charitable Trusts, Ford Foundation, The New York Community Trust, and RWJF. Over the 21 years of the partnership's existence, foundation support has totaled roughly \$70 million, and corporations and individuals have provided another \$80 million in operating support. That combined investment has leveraged over \$3.5 billion in donated media from the nation's media industry, along with more than \$350 million in donated advertising and marketing.

When the goal is to promote health in ways that might be seen as a threat by certain industries, reaching out to those industries can sometimes help to diffuse potential conflict. In 1989 the Kansas Health Foundation invited the livestock and dairy industries, as well as Pizza Hut (which was headquartered in Wichita) and a major grocery chain, to join its Kansas Lean coalition to improve the availability of healthy food in the state and provide healthier lunches to the state's school children. Marni Vliet, former president of the Kansas Health Foundation, recalls that "we brought them into the tent so that they would embrace the idea instead of putting up resistance, and so that they would become champions for it within their own organizations." Robert Ross, president of The California Endowment, says that the endowment made a similar decision in its work to promote language access in California's health care system for the state's large population of immigrants who speak little or no English. The endowment could have pursued a litigation strategy to try to force the state's health care industry to comply with federal Title 6 provisions requiring language access but decided instead to pursue "a more deliberate strategy of engagement with providers." Says Ross, "Our grantmaking resources are an obvious resource, but it's our *non*-grantmaking resources – including our relations with clinical providers – that are the hidden gem."

CORPORATE FOUNDATIONS

In addition to collaborating with independent foundations, many businesses also engage in direct philanthropy, both through their corporate giving programs and through their own corporate foundations. *The Chronicle of Philanthropy* recently reported that the 81 companies that responded to its survey of corporate grantmakers made cash donations totaling \$3.8 billion in 2006, up from \$3.5 billion the year before (Barton et al. 2007). The Pfizer pharmaceutical company alone gave away some \$1.7 billion in 2006, including \$1.6 billion in donated pharmaceuticals.

As a kind of foundation-business hybrid, corporate foundations are often equally comfortable collaborating with both sectors. In a striking example of collaboration between a corporate foundation and an independent foundation, the Merck Company Foundation teamed up with the Bill & Melinda Gates Foundation in 2000 in an ambitious endeavor to reverse the AIDS epidemic in Botswana, which has one of the world's highest HIV infection rates. The two funders each put up \$50 million for the first five years, and in addition, the Merck Company donated free supplies of its AIDS drugs to the initiative (Bill & Melinda Gates Foundation 2006). The Infectious Disease Institute in Kampala, Uganda, on the other hand, is an example of a corporate foundation (the Pfizer Foundation) partnering

with business (Exxon-Mobil, Gilead Sciences, Inc., and BD, a medical supply company).

HOW TO PARTNER WITH BUSINESS: SOME LESSONS LEARNED

Working with business is not without its challenges for those in the foundation world. After all, foundations and business have very different cultures. They operate under different time frames; they use different language; they think differently about risk and reward; and, at the end of the day, they exist for fundamentally different purposes. Moreover, businesses generally have clear, readily measurable metrics to keep track of their performance; foundations often do not, in part because many of their goals do not lend themselves to easy quantification. Finally, businesses are ultimately accountable to their shareholders, whereas foundations are essentially accountable to no one but themselves.

Despite these very real differences, there have been many cases of successful collaboration between foundations and business, and those experiences have yielded some useful lessons about what it takes to forge an effective partnership.

First, foundations can and should leverage their role as honest brokers who do not have a financial or political stake in the outcome to bring all parties – including business – together around an issue of common concern. By providing a neutral forum for business leaders to learn about the issue and to get to know the other players and their views, foundations can provide the business community with an invaluable opportunity for constructive engagement and participation.

Second, foundations need to listen carefully to what business leaders are saying and what they are looking for. Because business leaders generally have resources of their own and, therefore, are not looking for a grant, they are unlikely to respond well to not having their views seriously considered. Furthermore, because the language of business is not the same as the language of the nonprofit world where foundations usually operate, attentive listening is essential.

Third, foundations need to be respectful of business leaders' time. The tendency among many foundations is to devote a great deal of time to meetings and process, whereas business leaders must operate in real time if they are to survive in a highly competitive market environment. Foundations that have neglected this difference in cultures have often found themselves at subsequent meetings sitting across the table from more junior "business representatives" who have little real decisionmaking authority. It may nevertheless take time to arrive at the kind of mutual trust and understanding necessary for all parties to feel comfortable moving forward, especially given the cultural and structural differences between foundations and business.

Balancing the time needed to establish trust with the need to keep the senior leadership engaged is one of the real challenges of such partnerships.

Fourth, the collaboration must be of genuine benefit to business if it is to be successful. Without a clear stake in the outcome, business is not likely to make a serious commitment, or, if it does, to stay the course over the long haul. Caroline Roan, executive director of the Pfizer Foundation, emphasizes that partnerships with business “have to be seen as a win-win by everyone involved. That might mean alignment with corporate strategy, or, when it is an issue area, sometimes the corporation can take that issue on as a cause.”

Fifth, collaboration with businesses – because they are not charitable organizations – may occasionally require special handling. For example, the McKnight Foundation obtained an Internal Revenue Service waiver before allowing its grant funds to be invested in locally owned businesses in central Minnesota.

Finally, and perhaps most importantly, despite the potential benefits from collaboration with business, *foundations should be highly selective and clear-eyed in approaching any particular business for purposes of partnership.* Given the intense economic pressures under which many businesses are operating in today’s global economy, it is imperative that the foundation fully understands and is completely comfortable with the company’s business practices and its motives for participation.

THE PAYOFF FROM WORKING WITH BUSINESS

Despite the many challenges, the payoff from partnering with business can be substantial. Among the examples:

- The Pittsburgh Regional Health Initiative, led by JHF and including most of the region’s major employers, helped more than 30 area hospitals bring down the incidence of lethal, hospital-acquired infection by 68 percent, according to a study published

in the *Journal of the American Medical Association*.

- An independent 2007 assessment by Battelle found that the Flinn Foundation-led, ten-year campaign to enhance Arizona’s biotechnology sector has already resulted in significant increases in National Institutes of Health funding, biotech jobs, the number of biotech firms, and biotech wages in the state.
- As of June 2006, the Merck Gates Foundation partnership to combat AIDS in Botswana had established the first comprehensive, nationwide treatment program in sub-Saharan Africa, providing anti-retroviral therapy to over half of all those in the country who could benefit from it, and more than 85 percent of those with advanced HIV infection. Between 2003 and 2005, the percentage of HIV-infected infants born to HIV-infected mothers in Botswana fell by 45 percent.
- Kansas Lean, initiated by the Kansas Health Foundation in collaboration with key food industry partners, resulted in healthier school lunches in all public schools statewide and, according to the foundation, is still in operation almost 20 years after its inception.

CONCLUSION

Because of its sheer size and breadth, the business sector affects everyone’s health and health care in innumerable ways, both positive and negative. For foundations seeking to improve people’s health and health care – locally, regionally, nationally, or globally – business can be either a formidable adversary or, under the right circumstances, a powerful ally. Such alliances, however, are not automatic. In order for partnerships with business to work, all parties must enter into the relationship prepared to be flexible, yet with a clear and full understanding of one another’s agendas. Done right, the track record so far suggests that the payoff from such partnerships in advancing a foundation’s goals can be considerable.

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