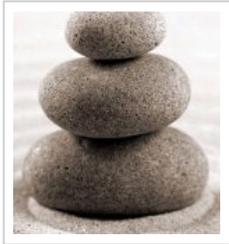


## Building Strategic Philanthropy in China



The number of private foundations in China has been growing rapidly, from just a few hundred four years ago to well over a thousand today. Some of these foundations have become a driving force in the nonprofit sector, where grassroots NGOs are providing innovative solutions to challenges ranging from sustainable livelihoods to rural health at the community level. At the same time, companies have gained an increasing awareness of the role of foundations in society, partly due to increasing public expectations and pressure. The result is a significant growth in corporate philanthropy, with nearly 60 percent of total charitable donations in 2009 coming from companies.

Despite these developments, strategic philanthropy in China still faces several challenges. Although corporate philanthropy is on the rise, most companies' donations are for short-term support or disaster relief—aimed at getting a boost in public relations rather than creating long-term impact. While important, such efforts generally are not sustainable. For Chinese NGOs, the challenges often relate to inadequate personnel and resources to implement and scale their projects.

Neither NGOs nor companies fully recognize the value in partnerships, which would allow NGOs to benefit from companies' technologies, skills, business models, and reach, and would help companies generate loyalty among customers and employees, strengthen their social license to operate, gain insights and new ideas for business development, and benefit from NGOs' experience.

### An Evolving Tradition of Philanthropy in China

Despite the rapid development of China's philanthropic sector in recent years, strategic philanthropy has not yet become commonplace, which is surprising given China's strong history of charity. Charity was part of China's cultural makeup, a value shared by Daoism, Confucianism, and Buddhism, which emphasized helping the family, the clan, neighbors, communities, and the natural environment. It was encouraged by the government and driven by visionary business people and community leaders.

Beginning in the late 1980s, when China was transitioning from a planned economy to a market economy, the country's approach to charity was increasingly influenced by third-sector development theory introduced from the West, with scientific management tools and solutions to address social problems. While this taught China best practices, it also shifted the country's focus to remedies rather than prevention.

Today, while the absolute dollar value of donations is increasing, China is nonetheless experiencing more social challenges, from the widening disparity between the rich and poor, to the growing social impacts of recent environmental negligence. There is a need for civil society, business, and government to rebuild their commitment to sustainable values, share resources and expertise, and develop new services and models for true social impact.

### CiYuan: A New Model for Strategic Philanthropy

Applying our experience working with member companies across different industries worldwide, BSR just launched a program aimed at building innovative cross-sector partnerships to enhance the value of social investment in China. Named "CiYuan" (meaning "a wellspring for social impact" in Chinese), our model for strategic philanthropy is designed to help companies leverage their core business strategy to address the root causes of social and environmental challenges, creating bottom-line growth and concrete, measurable results.

To do this, CiYuan incorporates three initiatives that promote the development of the nonprofit sector and help local foundations and NGOs build effective, long-term partnerships with business:

1. **Foundation Development Initiative:** BSR is working with the Cisco Foundation, the China Foundation Center, the Narada Foundation, and dozens of other foundations to facilitate

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roundtable discussions, launch demonstration pilot programs, and develop a practical toolkit—all designed to help Chinese foundations gain expertise in the fields of governance, strategy, operations, and grant-making.

- 2. NGO Transparency Initiative:** One of the challenges facing Chinese NGOs is donors' general lack of awareness of and trust in the work carried out by NGOs. To address this, BSR has been working with the Ministry of Civil Affairs, the China Charity Donation and Information Center, and a group of domestic experts to develop a simple donation information disclosure standard for NGOs and foundations to communicate financial performance and project impact. Caroline Neligan, GuideStar International's director of partnerships and development, and a member of CiYuan's International Advisory Board, is providing insight on global best practices for encouraging nonprofits to share information about their organizations openly and completely.
- 3. Corporate-NGO Partnerships Initiative:** BSR is developing resources to catalyze partnerships between Chinese companies and NGOs, and pilot programs that will focus on specific issues that are relevant to both organizations. These programs will then be replicated at other organizations.

### **Applying CiYuan at Nike China**

Recently, BSR applied the CiYuan model with Nike China. Currently, the company's community investment strategy uses sports as a tool for positive change. This strategy leverages Nike's brand, experience, and passion for sports to improve the lives of the disadvantaged and inspire others to take action.

In November, Nike China plans to launch a program to ignite a grassroots movement using sports to tackle issues of importance to youth. To achieve the desired impact in China, the world's most populous country, the company sought a partnership with the China Youth Development Foundation (CYDF), which also has a mission to engage and empower youth. CYDF has networks nationwide and the resources to connect with governments and local communities to expand Nike's program. Kelly Lau, Nike China's sustainable business and innovation marketplace director and a member of CiYuan's Chinese Advisory Board, pointed out that NGOs like CYDF lend expertise and credibility to Nike's program, as well as provide access to community networks.

This program will benefit both parties: It will allow Nike to leverage its core expertise in branding and marketing, its local stores and products, and its expertise in using sports for development in order to engage youth, the company's primary consumer group. And it will allow CYDF to learn from Nike's approach while expanding its own impact in engaging and empowering youth.

Through CiYuan, BSR's role in the Nike-CYDF partnership is to bridge gaps between the company's and the NGO's expectations, to engage other businesses in the partnership, and to build CYDF's skills in partnering with companies. Through case studies and training programs, BSR will share with other practitioners everything that Nike and CYDF learn from the partnership—from how to provide nationwide grant programs to how to empower youth through social media.

### **The Way Forward**

Innovative partnerships that leverage the models, knowledge, skills, and resources of the nonprofit and for-profit sectors can directly advance both sectors' core missions while driving positive change for society and the environment.

In spite of the challenges that remain, it is encouraging to see that some leading organizations—including those mentioned above—have set an example for strategic philanthropy in China by applying lessons from businesses to improve their governance, be more innovative, and operate more professionally.

It is clear that BSR and others need to stimulate a different mindset in the private sector so that businesses from all industries see nonprofits as potential—and valuable—partners. Meanwhile, nonprofits can learn new operational models from business and use the private sector as a powerful channel to reach myriad employees, suppliers, distributors, customers, and communities to drive positive change.

