



HOW CORPORATIONS CAN BE PLACE-BASED CHANGE AGENTS

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Introduction

The presence of a company's operations profoundly impacts the local economy, shaping employment, the small business ecosystem, real estate, education, and even local culture and the environment. While 90% of Americans believe that companies should prioritize the interests of local communities where they operate, only 43% feel that companies are doing so effectively, based on a 2023 poll by JUST Capital.¹ To bridge this gap, the World Economic Forum is encouraging companies to think about "glocalization," which includes restoring the trust of local communities in the global economy.²

Most companies have philanthropic efforts to complement their community affairs teams in places where they have a significant presence, such as company headquarters or manufacturing sites. In FSG's work advising companies, we have seen four common ways in which companies position themselves as local change agents. While these are not comprehensive or mutually exclusive, they represent a range of choices for companies to consider based on what we've seen in the field. This brief provides an overview of the four archetypes and considerations.

FOUR ARCHETYPES OF CORPORATE PLACE-BASED CHANGE AGENTS

THE ANCHOR INSTITUTION

Companies who catalyze local economic growth by buying, hiring, investing, and giving locally



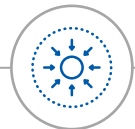
THE COLLABORATOR

Companies who catalyze or support multisector place-based collaborations to solve a shared challenge



THE SPECIALIST

Companies who prioritize one specific locally relevant social issue and use a range of resources to address it



THE COMMUNITY-DIRECTED DONOR

Companies who design their local investment strategies by prioritizing community voice and input



Archetype #1: The Anchor Institution



Overview: Companies who catalyze local economic growth by buying, hiring, investing, and giving locally.

Anchor Institutions—typically hospitals and academic institutions—are reliable, permanent fixtures of a local community that have a commitment to supporting community and economic development.³ Although less widely adopted by corporations, a growing number of companies are recognizing the value of contributing to an economic and social environment where the company can thrive in the long term.

PRUDENTIAL FINANCIAL

Prudential Financial has long seen itself as an anchor institution in its hometown of Newark, New Jersey. The company addresses systemic barriers to wealth-building by creating thriving neighborhoods, accelerating economic opportunity, and supporting pathways to quality career opportunities. Prudential has committed \$1.2 billion in Newark over the past decade in order to spread economic and social opportunity across the city to close the financial divide.⁴ Select examples of how Prudential shows up as an anchor institution in Newark are included below:

- As one of the founding members of the Newark Anchor Collaborative, Prudential, with other cross-sector actors, has catalyzed a city-wide initiative to hire locally, buy locally, and attract people to put down roots in Newark.
- Prudential has supported education and workforce initiatives in Newark to increase economic opportunities for residents. Through \$70 million in grants and \$250 million in investments to improve education and employment outcomes in the city, Prudential works to increase the capacity and effectiveness of district and charter schools, higher education institutions, and job training programs.
- Prudential has invested in Newark's emergence as a vibrant cultural hub, with institutions like the New Jersey Performing Arts Center and the Newark Museum standing tall at the center of it.





Archetype #2: The Collaborator

Overview: Companies who catalyze or support multisector place-based collaborations to solve a shared challenge.

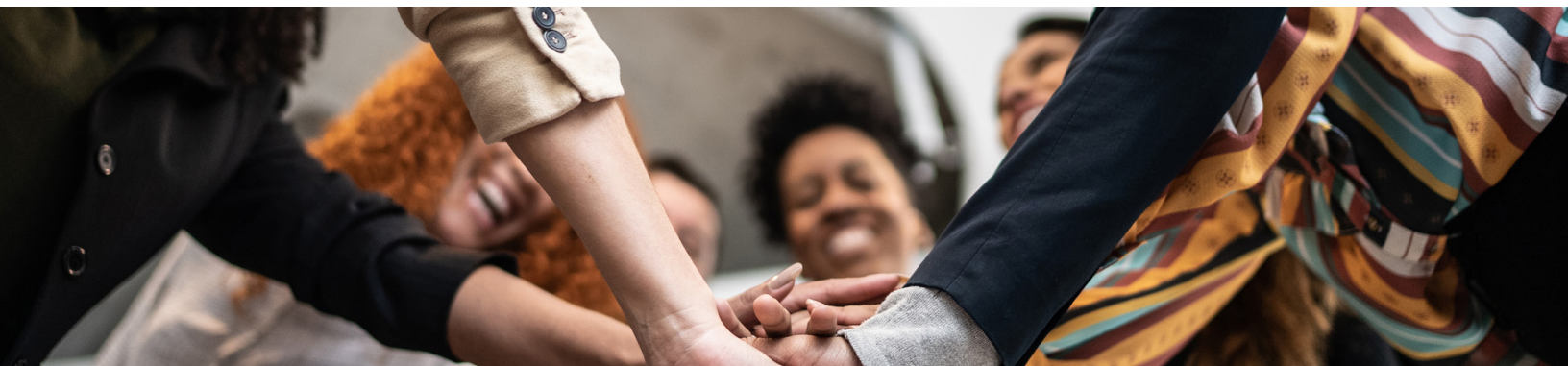
Collaborators recognize the importance of partnering with cross-sector stakeholders in a place to solve complex problems. Companies can play different roles in advancing place-based collaboration, depending on the local context. If there is a gap that can be filled by starting a new collaborative, companies can provide the initial capital and influence to convene stakeholders and build foundational collaborative infrastructure. One way that companies can enable place-based collaboration is through supporting a collective impact approach, where a group of individuals and organizations from across the community come together to identify a specific community-wide goal and collaborate on a range of strategies to achieve the goal.⁵

In places with existing initiatives, companies can join existing collaboratives and explore how both their financial and non-financial resources can help advance shared goals.

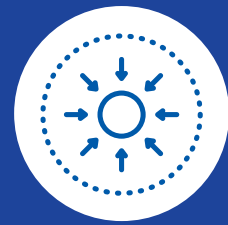
THE HOUSTON ECONOMIC GROWTH COLLABORATIVE (HEGC)

The Houston Economic Growth Collaborative (HEGC)⁶ is a place-based multi-sector initiative that aims to leverage and grow collective resources to advance resident-defined priorities for economic prosperity in specific neighborhoods. Beginning in 2023, **Verizon** gathered leaders across sectors to form this collaborative which now includes 20+ local partners. A core value of the HEGC is being community-centered by prioritizing the visions and aspirations of neighborhood residents over the agendas of those with significant positional power. Recognizing it takes time and investment to build trust and alignment for sustained collaboration, the Verizon team has employed strategies such as 1) providing immediate financial resources to communities while long term, community-driven strategies/priorities are in development, 2) investing in efforts that help strengthen collaborative resources across Houston and 3) funding stipends for participation. Verizon has invested \$10M+ as part of its commitment to this specific effort in the early stages, augmenting its support of Houston communities via Verizon's national community programming. Critically, while Verizon helped provide resources to get the work started, they shared power and decision-making with the other partners and, from the onset, positioned HEGC to ultimately transition to local ownership.

verizon



Archetype #3: The Specialist



Overview: Companies who prioritize one specific locally relevant social issue and use a range of resources to address it.

Companies with a **Specialist** approach may choose to focus on an issue of high priority for the CEO or business overall, or an issue on which the company has an outsized influence given its operations, products, and services. This approach may require sunsetting or reducing funding to other issue areas that fall outside the priority issue area.

MICROSOFT

Microsoft has made affordable housing a key social impact priority and has committed \$750 million to addressing the housing and homelessness crisis in the Puget Sound region.⁷ Affordable housing is an issue that many large companies have a stake in, as population increases, like those due to an influx of employees, can increase competition for housing and drive up rents. The Pew Charitable Trusts found that when housing costs rise, homelessness also increases. To address this, Microsoft uses multiple approaches to make housing more affordable, including grantmaking, partnerships, financing tools, capacity building, policy advocacy, and more.⁸



Archetype #4: The Community-Directed Donor



Overview: Companies who design their local investment strategies by prioritizing community voice and input.

Community-Directed Donors aim to be responsive to the needs identified by those who know them best—community members. Companies who employ this approach recognize that they may not be able to track issue-specific impact if community partners decide to distribute funding across several social issues, but know they are strengthening local infrastructure, building community power, and keeping pace with evolving priorities.

3M

3M launched the 3M Community Coalition in 2020 to provide community members direct input into how the company utilized its \$50M investment in its hometown of St. Paul. The coalition brought together a diverse group of Twin Cities' leaders, including representatives from local government, nonprofits, and the education sector. The coalition highlighted that 3M's investments in STEM education would not have the impact they desired if they didn't also address the broader effects of historical poverty in St. Paul. At the recommendation of the coalition, 3M dedicated a portion of its funding to what local communities deemed to be the highest priority for families, including childcare and housing.⁹



Considerations for Designing Your Place-Based Strategy

After speaking to and working with several companies that use one or more of the four archetypes to design a place-based strategy, we've identified some factors that are important to consider:

1. Understand your company's why before you design the role

As a first step in defining a local social impact strategy, companies must align on why they think it is important to support thriving local communities and then determine their desired role. For social impact leaders, this might mean understanding the C-suite vision for what your company wants to be known for 3, 5, 10, or 15 years down the line, your company values, and your materiality assessment's findings on your impact on the local economy. Based on what you learn, a company might choose to adopt a few different archetypes to maximize impact. For example, while 3M is a Community-Directed Donor in some aspects of its local philanthropic strategy, it also plays the Specialist role in its STEM education & workforce giving strategy. While Verizon is the Collaborator for the HEGC, they also play a role as a Community-Directed Donor in their overarching CSR strategy and draw on this commitment to building programs with, and not for, communities in their work with the Collaborative.

2. Regardless of your role, learn from and co-develop solutions with the community

Companies often come from a place of greater power relative to the communities they seek to serve, and some have historically wielded this power to the detriment of communities. Understanding your company's unique history and impact on its community—both positive and negative—is crucial to building trust and partnership moving forward.

Michael Stroik, Vice President of Community Relations at 3M, shared that it has been important to, "shift mindsets from thinking, 'These are our funds, and we can spend it how we want,' to thinking of community investment as a collaborative process with the community." He noted that the #1 piece of feedback they have received from community members on how to be an effective local partner is to "be willing and ready for change."

Relationships are key to working with communities. In relation to HEGC, **Donna Epps, Chief Responsible Business Officer at Verizon**, shares that "trust is critical to operating in a community-driven way, and that takes time. We have been showing up and investing in the Houston community for years, through a myriad of efforts, and slowly building that by learning the landscape, partnering with local organizations, engaging in city events, and more. It is important for us to factor in our long-term commitment and foundation of trust when we are formulating internal plans and communications. At the end of the day, Verizon is committed to powering and empowering how people live, work, and play, but empowering and powering can only happen with trust."

3. Go beyond grantmaking: Use all your business assets to drive impact

While companies have traditionally invested in local social problems through philanthropic grants, leading companies are going beyond grantmaking to achieve impact at scale. For example, Microsoft invested in lines of credit below market rates, revolving debt funds, mezzanine debt, and impact equity towards the preservation and creation of over 9,000 housing units. Through these innovative financing tools, Microsoft was instrumental in changing housing market conditions, enabling quicker project funding, and increasing borrowing capacity for public and private investors.

In 2021, The Prudential Foundation partnered with The Urban Institute's Housing Finance Policy Center to gather data on the prospects for homeownership within the city. The findings, published in the Newark Housing Pulse, helped inform the City's recent housing and development plan to build 3,000 new homes across Newark's five wards by 2026 and to preserve at least 6,000 affordable housing units for the lowest-income residents.

Using the full set of tools and resources from within the business not only enables scale but also allows the company to be perceived as more authentic in the community.

4. An opportunity for enterprise-wide leadership

CSR leaders have often told us that business leaders and CEOs often relegate the responsibility of local giving—and by extension, local reputation management—to CSR leaders.

To unlock greater place-based change, we see a clear opportunity for CSR leaders to step into their enterprise-wide leadership role and be a strategic business partner to their colleagues in the core business. This may involve understanding the founder or CEO's vision and commitment to the local community, aligning with corporate affairs to ensure complementary investments, understanding talent and supply chain priorities, and even having a tough conversation with business leaders about shifting the traditional power dynamic between the company and the community.

ACKNOWLEDGEMENTS

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ENDNOTES

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ABOUT FSG

FSG is a global nonprofit consulting firm that partners with foundations and corporations to create equitable systems change. Through customized consulting services, innovative thought leadership, and learning communities, we're working to create a world where everyone can live up to their full potential.

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