



# Perspectives on Corporate Philanthropy

Winter 2004

## Benchmarking Philanthropy

by John V. Kania

The CEO's question of "How are we doing?" can strike fear into the hearts of executives responsible for corporate philanthropy. Unlike almost every other area of corporate activity, there are no tried and true methods for benchmarking philanthropic performance. Beyond counting the volunteer hours and dollars given away, companies are left to determine the value and impact of their philanthropy in a vacuum.

Yet FSG has found that benchmarking philanthropic performance against industry peers is possible – and it turns out to be extremely valuable in finding ways to increase both the business and social benefit of every dollar the company contributes. Many of the same principles that make benchmarking so important to other corporate activities, such as marketing, product development and sales, can be extended to a company's philanthropy – and knowing how you are doing relative to your competitors turns out to be just as important in making good social investments as it does in making other kinds of investment decisions.

### Measuring what matters

Most measures of philanthropic performance today are limited to counting contributions or polling employees and other stakeholders. For example:

- The Chronicle of Philanthropy ranks top corporate givers annually by the dollar value of their contributions,
- The Committee to Encourage Corporate Philanthropy, the London Benchmarking Group, Corporate Giving Standard and other similar organizations provide much more detailed data collection instruments for their members to self-report the dollar value of their contributions in standardized and comparable categories,
- Walker Research and other public relations firms survey stakeholders on the company's reputation for generosity and social responsibility.

Suppose, however, you want to know whether your company is using its philanthropic dollars more effectively than your competitors? None of these measures shed any light on the social impact achieved by the company's philanthropic strategy. Nor do they assess the many ways – beyond reputation – that philanthropy can contribute to the company's competitive advantage.

Of course, it is important to know whether your company is giving more or less than others – but setting the overall philanthropic budget is typically outside the authority of those who manage the corporate giving program. And, although philanthropy can certainly affect a company's image, many other unrelated factors also strongly influence its overall reputation. So how about measuring things that you can do something about?

### Benefits of benchmarking philanthropic performance

Benchmarking philanthropic performance yields multiple benefits for corporate philanthropy programs. First, benchmarking provides insight into selecting the appropriate metrics for impact.

(Continued on page 2)

## FSG News

### Clients

FSG's latest work covers a wide range of issues for corporate, community and private foundation clients around the world:

- A leading European reinsurance company retained FSG to evaluate the impact of its social investment portfolio, prioritize social issues relevant to its business, and develop future investment opportunities.
- For a top ten global corporate donor, FSG is conducting an extensive strategic review. The review includes analyzing existing programs, recommending opportunities to improve social and business impact and developing specific philanthropic goals and activities that create social value beyond check writing.
- For a health care conversion foundation, FSG developed a new five year strategic plan informed by research into community health priorities and an understanding of the foundation's unique strengths and values. The strategic plan outlined several new proactive initiatives, as well as a new approach to capacity building for key non-profit partners.

This serves to sharpen social investment strategy and guide the development of ongoing performance measures that prove valuable long after the benchmarking has been concluded. Second, benchmarking can help companies understand what and where competitors are investing, providing important information for strategic planning. Just as in its business strategy, once the company understands the philanthropic approaches of its competitors, it can better position and differentiate its own philanthropy. Third, benchmarking provides insight into the best practices of others. Learning from others' successes can help a company to achieve its own goals more efficiently.

**FSG's innovative and comprehensive approach**

Unlike other studies that are focused primarily on measuring the *quantity* of philanthropic investments, FSG's approach measures the *quality* of results. Our sophisticated methodologies span the full performance evaluation spectrum from inputs to end impact. FSG also evaluates companies' overall social investment strategy, a step that is usually missing in most other benchmarking approaches.

FSG's approach is customized to the priorities of each client. Our model enables the company to select the specific competitors it wants to benchmark and the goals it seeks to achieve. As a result, unlike the standardized surveys of multi-industry membership organizations, our findings lead to targeted insights and actionable recommendations that can increase the effectiveness of our client's philanthropy and improve alignment with corporate business objectives.

Finally, our approach leverages FSG's broad research into corporate giving practices and minimizes the time required of busy executives within the company. Most corporate giving programs are staffed very lean, and few have the time or resources to conduct benchmarking projects on their own. FSG's experience in working with other corporate philanthropy programs – and our association with internationally-known strategy professor Michael E. Porter of Harvard Business School – means that we know how to deliver a clear and insightful analysis in a format that can get the attention of the CEO.

**A closer look at FSG's approach**

FSG utilizes an innovative evaluation framework to design and conduct a three-phase process for producing a tailored benchmarking study.

- *Phase 1: Landscape analysis of the social investments of our client and its key competitors.* This includes analysis and comparison of each company's giving by the standard variables such as the amount of giving, form of donation (cash or product) and giving as percent of sales or per employee, but it also includes measures unique to FSG's approach, such as an analysis of program/issue areas, geographic focus, signature initiatives, and the strategic value of the contributions. (see figure 1)

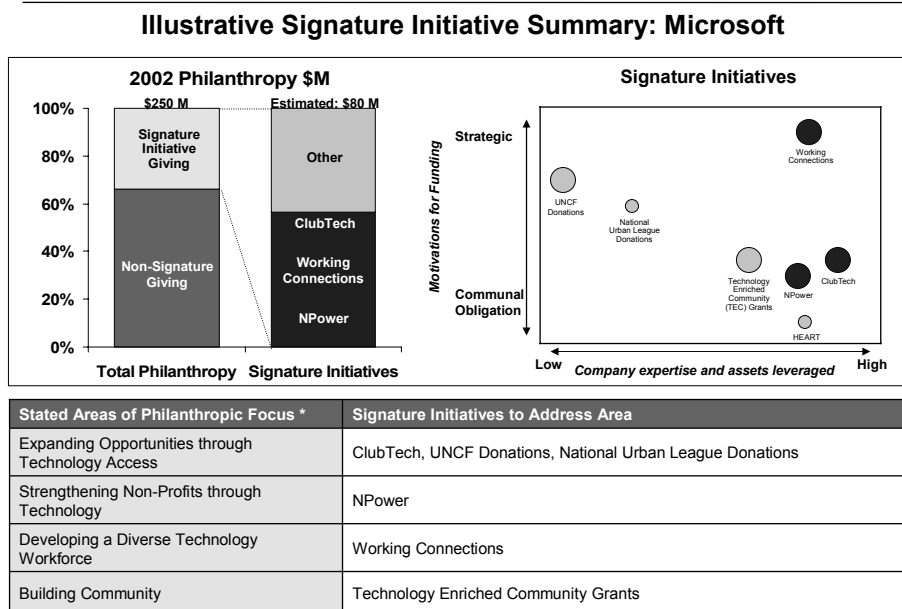


Figure 1

- *Phase 2: Assessment of competitors' social investment programs across four evaluation levels.* Digging deeper, we research both the business and social impact of competitors' programs, as well as the leverage achieved through value creation, the use of communications and the strategy that lies beneath each competitor's contribution programs. (see figure 2)

(Continued on page 3)

## FSG Benchmarking Analysis

|                         |  |
|-------------------------|--|
| Strategy and Activities | <ul style="list-style-type: none"> <li>• Measurable Objectives Defined (Business and Social)</li> <li>• Partnership Strategy Defined (<i>if applicable</i>)</li> <li>• Effective Communication Strategy</li> <li>• Level and Nature of Evaluation</li> </ul> |
| Value Creation          | <ul style="list-style-type: none"> <li>• Selection</li> <li>• Signaling</li> <li>• Improving Grantee Performance</li> <li>• Advancing Knowledge and Practice</li> </ul>  |
| Social Impact           | <ul style="list-style-type: none"> <li>• Achievement Against Social Goals</li> </ul>   |
| Business Impact         | <ul style="list-style-type: none"> <li>• Achievement Against Business Goals</li> </ul>   |

Figure 2

- *Phase 3: Implications of competitors' activities for our client's social investment strategy.* Finally, we synthesize the results into an actionable report that spells out the key implications of competitors' philanthropic activities for our client's philanthropy program. What can be learned from the successes of others? How can the client better differentiate its contributions? Where can philanthropic dollars be used more effectively? (*see figure 3*)

### Rankings Demonstrate Best in Class For Multiple Dimensions

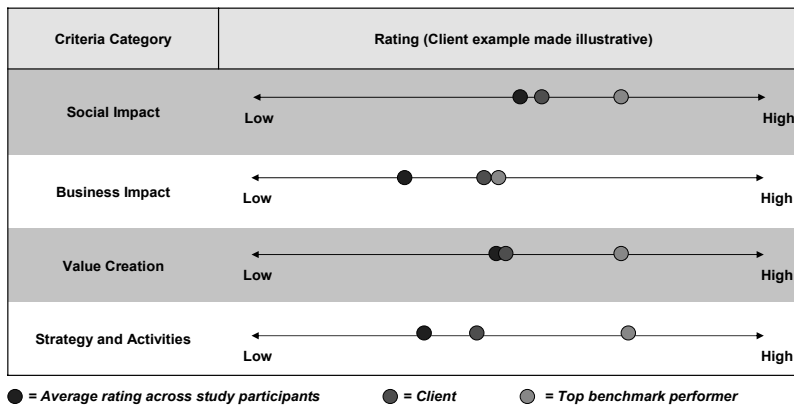


Figure 3

These three phases of FSG's benchmarking approach work together to provide a comprehensive and useful context for measuring a company's philanthropy. The results have proven to be extremely valuable for companies in their efforts to measure performance, refine their philanthropic strategies and answer that vexing question of, "How are we doing?"

### Benchmarking is just one of FSG's performance evaluation offerings

Industry benchmarking is just one of a portfolio of strategic planning and performance evaluation services that FSG provides to its corporate philanthropy and foundation clients. For more information on how FSG can help your company assess its social investment performance, contact John Kania, Managing Director at Foundation Strategy Group in the U.S. or Marc Pfitzer, Managing Director at Foundation Strategy Group in Europe. ☺

## FSG News

### A Growing Team

We are delighted that two new consultants have joined our firm:

**Greg Hills**, joined us as a Senior Consultant. Greg comes to FSG with significant strategy development experience through his work at Archstone Consulting and Deloitte Consulting. His non-profit experience includes three years managing the international and domestic operations of the US-Asia Environmental Partnership, a USAID-funded public-private partnership promoting the cooperation of NGO's, business and government in support of environmental improvement and sustainable development throughout the Asia-Pacific region.

Greg holds an M.B.A. from the Tuck School of Business at Dartmouth College and a B.A. from Hamilton College.

**Garance Watez** joined us as a Consultant. Prior to joining FSG, Garance served as a consultant with Arthur D. Little and with the European Bank for Reconstruction and Development. Her non-profit experience includes managing grants for NGO's in the Middle East on behalf of the European Commission and founding a non-profit, World-Talk.

Garance holds an M.B.A. from INSEAD, a M.Sc. in the Politics of the World Economy from London School of Economics and a B.A. in Finance from the University of Paris IX Dauphine.

**Would you like to receive our future newsletters by email?  
If so, please send your email address to [dawn@foundationstrategy.com](mailto:dawn@foundationstrategy.com).**

**Coming Up!**

**FSG's Next Webcast on  
Benchmarking Corporate  
Philanthropy  
May 13, 2004**

Please join our webcast to learn more  
about FSG's new approach to  
benchmarking corporate  
philanthropic performance

To register, please send an email to  
[dawn@foundationstrategy.com](mailto:dawn@foundationstrategy.com)

[www.foundationstrategy.com](http://www.foundationstrategy.com)  
[info@foundationstrategy.com](mailto:info@foundationstrategy.com)

# About FSG

FSG is a professional consulting firm exclusively dedicated to helping community, corporate, private and family foundations increase their effectiveness.

We offer objective analysis and confidential counsel on strategy, organizational alignment, strategic communications, governance, leadership, foundation-wide assessment, and community foundation donor development.

We invest in innovative ideas and we partner with our clients to help them do good, better.

For more information call us or visit our web site.

**Foundation Strategy Group, LLC**  
20 Park Plaza, Suite 1127  
Boston, MA 02116  
(617) 357-4000

50 California Street, Suite 3165  
San Francisco, CA 94111  
(415) 397-8500

Blvd Georges – Favon 6  
PO Box 5702  
1211 Geneva 11, Switzerland  
41-22-807-24-82



## Perspectives *on Corporate Philanthropy*

FIRST CLASS  
PRE-SORTED  
U.S. POSTAGE  
**PAID**  
PERMIT #  
BOSTON, MA

Foundation Strategy Group, LLC  
20 Park Plaza, Suite 1127  
Boston, MA 02116

*In this issue:  
Benchmarking  
Philanthropy*