

### Return On Investment (ROI) For Education Philanthropy: Focus On The Bottom Line

Education is a top-priority funding area for corporate philanthropy, mostly because corporate leaders recognize that strategic investments in education can have long-term pay off for their companies as well as for students and schools. It is also one of the most visible and effective means for demonstrating a company's commitment to corporate social responsibility (CSR) and branding itself as a good corporate citizen in its communities and among its employees and customers.

But educational philanthropy can also be a black hole into which a lot of money can disappear without much obvious effect. Usually, this happens when a company practices "checkbook philanthropy," where money is given without clear goals, strategic alignment with business objectives, or sufficient oversight and accountability.

#### Donation vs. Investing

Just like capital expenditures, new equipment, employee training, or product expansions, education philanthropy is best seen as a corporate *investment* expected to produce a clear benefit in some foreseeable future. The distinction between being an investor and being a donor is important because each role carries different expectations and obligations. If someone donates to an art museum, it is because the donor generally supports the mission of the museum and wants to see it succeed in its current mission or in a related area of endeavor. *Investors* expect something in return, so they plan investments that are aligned with their own long-term goals and monitor the performance of their investments over time.

Social or philanthropic investment goals can be pretty broad – such as "to improve the quality of life in communities where our customers and employees live and work." Or, they can be pretty specific: "to create a technically qualified pool of potential employees to build a competitive workforce." The bottom line is that investments are expected to produce returns for the investor.

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## ROI for Education Philanthropy

What kind of returns can corporate investors in education expect? According to research from McCarthy (2010) and her colleagues and a CEO round table at Harvard's Institute for Strategic Investment in Education (BHEF, 2010), educational philanthropy can be summed up as "enlightened self-interest." Some of the most significant potential outcomes include:

**Brand Development.** Investors incorporate social investing activities into their brand by creating a visible, admirable philanthropic program with broad, positive appeal and wide dissemination. This builds both brand awareness and consumer allegiance.

**Improved Public Perception and Reputation.** Social investing in education can strengthen public perceptions of a company in a particular community or among specific groups. In some cases, it can even repair negative perceptions or help a company prepare for a controversial action. In one community, a popular education partnership helped reduce labor strife; in another, it helped to resolve a contentious environmental issue. Also, people love stories about their community's schools and kids. So when attractive programs and innovations are reported by local media, it grabs attention and adds to the positive press image of the corporate sponsor.

**Long-term Sustainability.** Because corporate success depends largely on regional success, and good education is linked to economic well-being, many companies see education philanthropy is an investment in their own success in a region. Some even note increases in share price as they attract investors from social investment funds and new business in affected communities.

**Workforce Development.** One of the most significant returns on educational investing is the development of potential employees. Whether designed to promote strong basic skills so high school graduates can benefit from corporate technical training, or to develop a deep pool of scientifically, mathematically, and technologically competent candidates for demanding jobs, educational philanthropy is a key strategy in developing a globally competitive workforce. Targeted partnerships with education institutions can even produce outcomes linked to specific businesses, such as the Impact Interns Program (CA), which prepared high school students for work in non-profit agencies, or the Railroad Electrical Technology program at Mid-Plains Technical Institute (NE), sponsored by Union Pacific.

**Employee Satisfaction and Recruitment.** Surveys show that employee performance increases when they believe they work for an employer that "does good" in addition to doing well. In fact, the brightest and most well-prepared graduates of strong academic programs list "corporate social responsibility" as one of their top considerations in identifying potential employers.



## Maximizing Results

Best practices for high impact education philanthropy were developed by the Business-Higher Education Forum (BHEF) at Harvard University in order to promote educational investment that produced strong outcomes for students and communities and a good ROI for funders. Key practices include:

**Develop or articulate a comprehensive theory of change.** What does the corporate investor believe about schools, innovation, organizational change, or fundamental educational practices? If investors believe that "strong leaders build strong schools," it makes sense to invest in leadership development. If they believe that creative thinking is the key ingredient in success, they might support programs for the arts and creative expression. A focused theory of change allows investors to determine where to invest rather than simply following the latest fad.

**Consider the corporate context.** Strategic investments linked to corporate goals are more likely to have an impact on communities and the corporate bottom line. The most strategic investments clearly link corporate philanthropy in education to the company's long-term sustainability. If a pharmaceutical company needs chemical engineers, it makes sense to invest in school programs that promote interest and achievement in physical sciences. Other investments may not be quite so specific, but are created to promote sufficient good will in the community to permit the smooth operation of the business. Still others may focus on an industry interest, such as Operation Lifesaver, a school program to reduce railroad crossing accidents sponsored by America's major railroad companies.

**Use information, research and data to make decisions and assess outcomes.** In addition to program outcomes on the education side (such as improved student achievement or increased enrollment in advanced math courses), corporate investors need to develop measures for the "business benefits" of their philanthropy, or how the program benefits their bottom line. Usually, this requires collaboration between the education and business partners to identify the kinds of data to be collected and who is in the best position to collect it. The most critical issues, though, are to use multiple data sources, both quantitative and qualitative (or anecdotal), and agree on the appropriate metrics at the outset of the project.

**Support partnerships to magnify impact.** The most effective corporate philanthropic programs in education include collaboration with partners and experts. Business leaders often have good ideas for what needs to be done in education, but they have little experience in making things happen in the bureaucratic, regulated world of education, where authority is very loosely coupled and no single individual usually has the authority to make sweeping changes in an effective way. Partnerships assure there is someone inside the system to give an innovation the attention it needs to be successful. Some corporations use management companies that bridge the culture gap between business and education and make sure that neither the corporation nor the school is saddled with increased management responsibilities to make the innovation come to life.

**Align K-12 investments with school district improvement efforts to maximize impact.** High impact philanthropic programs invest in programs around classroom, school and district needs rather than offering prepackaged solutions. Corporations can often boost school outcomes, and their own interests, by aligning their investments with improvements already underway in a given locale. Sometimes, the best thing a funder can do is help to scale up a promising practice to other schools and districts.

### **Leverage Relationships**

One of the resources that corporate partners bring to business and education partnerships is leverage. As the BHEF group at Harvard says, "A CEO's ability to advocate for policy change in education and raise community awareness – when strategically aligned with the company's key investments – can be a corporation's most strategic and influential contribution to educational improvement. Because CEOs often represent a broad array of stakeholders and community voices, their advocacy for improving education can lay the groundwork for other investments, both public and private."

And beyond policy advocacy, corporations can provide other, specific kinds of assistance that make schools work better and more efficiently. One CEO from the Harvard Forum noted that her corporation shared their leadership training program with school principals in their region. That not only taught principals some of the strategies that businesses use to lead change, but also gave school leaders and corporate executives a common language to discuss issues and problems in which they had a shared interest.

Another program sponsored by Applied Materials, IBM, Intel, Lockheed Martin, Synopsys and the Silicon Valley Leadership Group placed K-16 teachers in industry worksites during the summer and provided professional training throughout the year so that they could carry their work experiences back to their schools to enrich their instruction. The win-win in this case was clear: these industries got educated, part-time employees for work on specific projects, and the teachers gained real-world experience with cutting edge technologies that helped them prepare their students for the modern workplace.

Both of these projects illustrate a critical component of strong business and education partnerships – the power of relationships. These experiences build trust, mutual commitment, and understanding of the challenges that each partner faces. It also creates an on-going dialog from which other, specific partnership projects can be created.

### **Getting Started With Education Partnerships**

The first step for corporations interested in education philanthropy and business-education partnerships is to think about their own business goals and how they are linked to community and education needs and issues. Typically, this is an internal conversation, but many corporations invite education experts into the discussion to learn more about both the broad outlines and some of the nuances of education issues in their communities and beyond. This is also a good time to review some of the press on education in the corporation's communities: what kinds of issues are being discussed by the public in the company's home region or service areas?

After getting some background, it is useful to have conversations with people in the education system – superintendents, principals, teachers, parents and students. What do they see as the most pressing issues that might be resolved by a strong partnership? Because schools and school systems sometimes look pretty unapproachable, this is another case in which some companies use the services of a consulting or education management firm to arrange and moderate these conversations and focus groups. Other companies have standing focus groups from various segments of their communities that can be helpful as well. In either case, it is critical that someone be responsible for moving the conversation and potential partnerships forward. If it is just another item on a busy person's to-do list, both the idea and the spark of a productive partnership will die a quick death.

Start small – perhaps with a pilot program. Union Pacific's Principals' Partnership started in one of their regions. Once it was clear that it was successful, and after some adjustments were made to accommodate larger numbers, it was scaled up across their entire, vast service region. By investing time, energy and money in a pilot program, the company could increase its financial investment with confidence that the program would work as planned and produce the public affairs results they anticipated.



### **Begin With the End in Mind**

Investors approach opportunities with clear expectations and goals. Education philanthropy viewed in the same, systematic way is likely to produce better results for both schools and the business partners. Mutual understanding, shared goals, and candor are as valuable in education philanthropy as they are in any aspect of business operations.

### Maximizing IBM's Philanthropic ROI: An Analysis by Tom Kucharvy

Now that IBM views its philanthropy as investments rather than contributions, it focuses more effort on maximizing and measuring the value it delivers. These benefits must accrue not just to partners and recipients, but to IBM as well.

IBM is increasing its social spending and aligning it with strong business priorities by channeling investments into programs that can be applied, replicated and scaled up around the globe. Among these are:

- A formal, global program to partner with universities to help them with needs in technology access and integration, curriculum development and course design, and best practices for technology infusion.
- A structured program, based loosely on the Peace Corps, to help emerging communities identify and solve problems associated with development, education and other social problems.
- A program to contribute professional services from the Global Business Services group to work with non-profit agencies on improving their performance.
- Partnering with other agencies and non-profits to deliver professional and technical services IBM is not well-prepared to deliver.

Using their own measures as well as those suited specifically to their beneficiaries' projects, IBM cites improvements in:

- IBM's brand, including frequent write-ups in periodicals and books by thought-leaders;
- Talent recruitment, morale and retention attributable to the opportunity to contribute to society and pride in working for a company known for their social commitments;
- Entry into new, expanding and nascent markets in which IBM has a philanthropic presence;
- Tuning and demonstrating the capabilities of IBM's technologies and business services to new needs and challenges;
- Share price, by attracting investments from social investment funds.

To track the effects of their philanthropy, IBM either gathers data directly or contracts for data in a number of key areas:

- Brand: IBM gathers information on all media coverage of its CSR activity, including both mainstream coverage and social and electronic media.
- Talent: IBM uses its own and contracted measures of employee development, commitment, and morale to determine the value of its CSR programs in retaining top talent and its impact on recruitment.
- Finance: IBM tracks whether socially responsible investment funds increase or decrease their purchase of IBM's stock, based on its CSR performance, and independent ratings by agencies such as Ceres and Covariance.
- Technology: IBM tracks the use of critical IBM technologies, new patents, and new developments that can be attributed to their CSR activities and innovations.
- Geography: IBM, like most companies, contributes in major markets and areas where they have clients and employees. It also contributes in growth markets, and can track the development of business opportunities and key relationships.

Combined, these measures give a comprehensive picture of ROI for IBM's substantial social investment agenda. Also, the repeated use of measures results in their refinement and increased precision in making good decisions about continuing and new funding ventures.

For a full version of this article, see Tom Kucharvy's Blog, <http://beyond-it-inc.com/GKEblog/maximizing-ibms-philanthropic-roi.html>

### About EPI

For nearly 25 years, EPI, a 501(c)3 nonprofit corporation, has designed, developed, and managed long-term business and education partnerships for Fortune 500 companies such as Union Pacific, Champion International, MBNA Bank, and Pacific Life financial services. We have helped these companies promote good community relations while building stronger schools and a more viable workforce. A recent study of EPI by Standard and Poor's showed that we helped raise test scores in reading and math, improve school attendance, close the achievement gap, and increase enrollment in advanced placement (AP) courses in some of the nation's toughest school environments. EPI has the unique ability to bridge the culture gap between businesses and schools in order to produce solid, sustainable results that matter for our kids and for your business.

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