

**54th ANNUAL DPI/NGO CONFERENCE
United Nations, New York City September 11th, 2001**

Philanthropy and Volunteerism

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I would like to begin this afternoon with a quotation from a world-renowned leader in academic thought. "For those who care deeply about social problems and work tirelessly to make a difference, current foundation practices not only diminish effectiveness, they inevitably reduce the satisfaction that donors, staff, and trustees derive from their work." While some of you are thinking -- yes -- current foundation practices do diminish NGO effectiveness and others are pondering the author of the quotation, let me preface his name and title with some of his accomplishments. His books, theories, and philosophies are internationally acknowledged by the many of the most successful entrepreneurs, politicians, and social sector professionals. Michael Porter holds the highest professional distinction of a Harvard faculty member as University Professor.

Now, one might ask how this relates to a conference on philanthropy and volunteerism. The mission of this conference states that NGOs associated with the UN strive to be increasingly more professional, inclusive, and accountable. In a sector driven by the efforts of individuals and volunteers, it is only that much more important that we focus on accountability. When we don't, as Porter states, we reduce the effectiveness of donors, staff, and trustees -- in essence, reducing the effectiveness of volunteerism.

New Philanthropy Benchmarking --a Working Book that I authored-- addresses the issue of accountability --most directly-- through one of its seven wisdom points: "Benchmarking can be as powerful in the social sector as in the commercial sector." So, the most logical next question is, What is New Philanthropy Benchmarking? New Philanthropy Benchmarking ("NPB") builds upon a synergistic collaboration of three components: classic benchmarking pyramid, progressive Intersectoral strategies, and NPB analytical tactics. NPB is predicated upon the assumption that the passionate will instinctively strive for comparable success in the social sector as achieved in the commercial sector. While motivations vary, instincts compelling superior performance or driving a determination to eschew being "dumb money" are considered pervasive and transferable.

Before discussing the first of these three components, a classic benchmarking pyramid, let's defuse some of the negative myths and exaggerations that jumped up when I mentioned measurement in the social sector. First and foremost, I would like to state that not everything can be measured, but that everything can be compared. Benchmarking compares one organization to another in the areas of program, process, and policy. Because benchmarking compares the aforementioned three Ps, the mission of the organizations being compared -- or benchmarked -- need not to be the same. The power and compelling attractiveness of NPB is its ability to assist the passionate to multiply the impact -- create value -- of their resource investments relative to other similar social sector initia-

tives and minimize risk exposure. Let me follow that statement by asserting that relative value-creation is not solely based on the value of resources in the commercial sector and neither should it be the case in the social sector.

[Show Slide: Educational Components of New Philanthropy Benchmarking, which is attached at end of speech.]

As utilized within NPB, the topical areas of the classic benchmarking pyramid are designed to increase the probability of achieving the highest integrity application in even the most diverse situations, including volunteer management. Application of each is not universally practical, but awareness of each will create a foundation for more effective management. Let me briefly mention them ranked by both ease of application and importance. To start, hard metrics, as the name may suggest, are solid numbers of integrity in contrast with qualitative ill-defined terms. With these in hand, NGO managers should seek to utilize topical area two, third-party verifiable metrics. Non-third-party-verifiable metrics can cause much more damage than potential value. The third topical area, extensive comparable internal metrics, offers the highest probability for maximum integrity and NPB value-creation. Getting inside a potential best-in-class NGO or commercial sector organization with ample opportunity for extensive analysis provides the peak of the classic benchmarking pyramid. This access is especially worth the effort given the sensitive and confidential issues associated with the personnel aspects of volunteer metrics.

Despite its promise, benchmarking is a caveat solution. Benchmarking is more than best practices; it is a comparative measurement with active goal setting and implementation. NPB utilizes this continuous process of improvement to assist in identifying performance lags and focus on the application of best practices.

Supplementing a classic benchmarking pyramid is the second of the three components, progressive Intersectoral practices. Before highlighting representative successful Intersectoral illustrative initiatives, it is appropriate to define the concept of Intersectoral and review the diverse categories of progressive Intersectoral practices critical to advance a macro-level understanding. As defined in the body of NPB, Intersectoral is the space where the commercial sector and the social sector merge, creating for-profit initiatives with social missions operating in the typical NGO settings.

While there is a diverse range of progressive Intersectoral practices, a common theme as it relates to volunteerism is creatively locating yet undiscovered value within existing NGO assets and executing to optimize their value. Three topical areas to investigate include Social Enterprise, which includes social entrepreneurship, commercialization, operational philanthropy, and contract services, Strategic Philanthropy & Restructuring, including capacity building, collaboration, managerial efficiency programs, restructurings, and foundation value-creation, and Social Capital Markets, which includes innovative financings, social venture capital, blended ROIs, and M&A transactions.

While the NPB Working Book offers pages of examples, highlighting several of the more appli-

cable to members of the audience may provide a productive catalyst for further thought and value creation.

Within the social entrepreneurship category, on-line fund raising web sites can utilize volunteers to staff phone lines while raising equity funding via traditional venture capitalists. AARP generates \$150 million in licensing income supported by the goodwill of its members. The Girl Scout's supported by a powerful volunteer organization sells \$240 million, annually, in cookies. Both are examples of the commercialization trends within the Intersectoral sector. An organization based in the Northwest United States, Pioneer, is dedicated to hiring severely challenged (disabled) individuals and gains outsourcing labor specific and task repetitive outsourcing projects from commercial firms interested in supporting community efforts; an strategy known in the field as operational philanthropy. And, Goodwill Industries and possibly the Salvation Army are two of the world's largest NGO providers of employment and training services for challenged individuals via contact service agreements.

Within the strategic philanthropy and restructuring topical area, capacity building possibly offers the widest application to volunteerism as it applies mostly to people and information management issues. The Robert's Enterprise Development Foundations software systems may be among the best-in-class. Within this category, collaboration efforts show significant promise. One of the more prominent examples is the collaboration between the Gates Foundation and the United Negro College Fund in implementing the Millennium Scholarship Program. Another example is the collaboration in online learning start-up Fathom.com – among Columbia University, Cambridge University Press, London School of Economics, and the British Library. In the area of managerial efficiency programs, both Community Wealth consulting firm and the Morino Institute Netpreneur Programs stand out. As for restructuring of NGOs to leverage the power of a world class volunteer network, few deserve as much observation as Edgar Bronfman's effort with three major Jewish organizations. Also, foundation value-creation can leverage volunteer value-added as is the case with the Birthright Israel program co-founded by the Steinhardt foundation.

Within the Social Capital Markets topical area, the opportunities to leverage volunteerism may be less readily apparent, but offer benefits to those willing to invest the necessary intellectual capital. The powerful passions or cost advantages associated with volunteers can allow NGOs to win attractive funding via innovative financings such as recoverable grants or Program Related Investment. Also worthy of note are the opportunities to obtain social venture capital in part obtained by communicating the significant role and competitive advantage played by volunteers within NGO. The opportunities to utilize volunteers as a part of a much larger comprehensive program to initiate or expand NGO operations with the commercial sector (an approach often referred to as focusing on a Blended Return on Investment) and obtain more traditional commercial sector capital market funding exist as will be mentioned below, but will be limited to a more select group of NGOs. The opportunities for merger or acquisition transactions by NGO can and have clearly created both social and financial NPV measurable value but the opportunities to leverage within the context of volunteerism require further analysis.

Before moving on to the third and final NPB component, let me very briefly review four Intersectoral mission public companies. Each indicates the tides of change facing NGOs, including pressures from commercial competition and pressures to optimize Intersectoral opportunities. The first example is Edison Schools, a recent start-up and publicly traded company that has assumed management of some of the most challenging public schools in the nation. The second example is University of Phoenix Online, a rapidly expanding publicly traded company directly competing with government funded schools. Phoenix offers degree programs through both on-site and distance education classes via the Internet. The third example Res-Care Inc., yet another publicly traded commercial entity, delivers services and supports to people with disabilities and special needs youth. And lastly, the fourth and largest of these four Intersectoral examples is HCA, one of the largest hospital chains in the US with its top competitors being social sector hospitals and with year 2000 sales exceeding 16 billion dollars.

While each of these four examples have typical social sector missions, they operate in a unique Intersectoral setting. The development of Intersectoral value-creation practices is moving at a much faster pace and provides positive energy for the recognition of the power of NPB and its application. The rapid increase in number of Intersectoral success stories illustrates the previously unrecognized potential.

The third of the three components, NPB analytical tactics provide further value-creation fuel through comparative value-creation and performance on investment metrics. While comparative value-creation and performance on investment metrics sound complex in nature, in reality their simplicity merits further discussion. NPB utilizes three critical tactics: deliverable opportunities, performance gaps, and multiplier/discount effects. These three tactics empower NGOs to establish a common language whereupon they can begin to assess and create value.

First, deliverable opportunities are specific situation outputs or deliverables, be they processes, programs, or policies, that offer opportunities for improved performance in an NGO. Deliverable opportunities are similar to the commercial sector concept of nuggets of value -- which are opportunities to create value by improving current operations or by financial engineering previously ignored by the capital markets and/or management.

The second tactic builds upon the concept of deliverables. Performance margin is the difference between the situation output or deliverable being measured and the best practice. This can be expressed in a dollar or unit term and preferably in its most basic form. Illustrative examples include cost per meal, percentage of unutilized assets, and fees paid per physician visit -- all of these concepts are frequent and familiar to the practices of NGOs.

Importantly, the third and culminating tactic -- the multiplier/discount effect -- provides the necessary comparative quantification and concluding step in the NPB analytical process. A multiplier exists when performance either equals or exceeds that of the previous (or latest) best practice or its

cost is either equal to or less than the previous (or latest) best practice. The definition of the discount effect is the converse. An example of both effects should provide further understanding of the usefulness of these measurements as the definitions may not do justice to their potential power and importance.

An example of a Multiplier Effect would be an NGO seeking to provide Tuberculosis and Mediterranean Fever treatment in Middle East countries. Proactively managing its investment, the NGO decides to benchmark what appears to one of the best-in-class NGO in the field. Next steps include assessing Deliverable Opportunities where the NGO could provide value-added. Using its resources, the NGO locates special situations to obtain quality medication at a fraction of the benchmark, collaborates with other excess capacity organizations to provide laboratories and free transportation, and taps yet another organization eager to provide gratis physicians -- volunteers. The existing best-in-class estimate cost for the initiative is approximately 5 million-dollar. The new best-in-class accomplishes its mission for less than 200,000 dollars. The NGO's independent audit indicates a Multiplier Effect of 31 times. It should be obvious the benefits that volunteerism can have on creating and expanding a Multiplier Effect and this competitive advantage should be leveraged to maximize an NGO's mission.

In contrast to that, a Discount Effect is illustrated with a United States Regional NGO School E-mail and Software Education Program. A regional private school requests \$10,000 to educate faculty and administrators on utilizing various email features. An additional \$50,000 is requested to educate faculty and administrators on word processing. A local capitalist/philanthropist ("CP") informs the school that public libraries in close proximity to the school offer free educational email and software classes providing informational CD's and user booklets to anyone at no cost. The school does not heed the CP's advice and solicits and receives the funding from another source. In contrast to the previous 31 multiplier, the regional private school has a 100% discount effect, investing all of their money wastefully. The Multiplier/Discount Effect is in its initial stages.

For those interested in pursuing NPB's application to NGO volunteerism, there are an increasing number of resources, especially on the Internet.

The positive motivation for NPB within the context of volunteerism is greater mission success. An alternative motivation is avoiding Unintended Consequences to NGO initiatives. NGO managers have a moral responsibility to assess risks prior to allocation of significant volunteer efforts. Whether it's misfortunate situations, unintended consequences, or wasted fund. With regard to the risks facing NGOs and good-faith volunteers, observations by two of the seven Capitalists-philanthropists benchmarked in the NPB Work Book pointedly indicate the real world concerns. A quotation from the Bill Gates Foundation, "You know, it would be possible to blow \$100 billion and have no impact at all." And, an observation from George Soros, "Charity goes against human nature. One of the paradoxes is that it makes people dependent."

The NPB Work Book reviews a comprehensive expanse of information within its body, appen-

dices, and endnotes and still proclaims that "benchmarking can be as powerful in the social sector as in the commercial sector." NGOs should seek to integrate NPB where practical, benchmarking other situations as offering best practice insights, and capturing value-creation opportunities. The examples provide insight as to how NPB can facilitate identifying performance gap and deliverable opportunities between current social sector-only organizations and best practice social mission social or commercial organizations, thereby advancing value-creation and forging an Intersectoral evolution.

And, while volunteerism provides support for an organization, it is NGO management's fiduciary responsibility to ensure that the NGO is achieving maximum efficiency from volunteerism. As Michael Porter so wisely heeds, NGO management should not only increase the efficiency but increase the satisfaction that volunteers receive from their work.

An extensive NPB revolution will undoubtedly create uproar. Complaints are often largely based on superficial cultural barriers. Passionate NGOs can be catalysts for major transformation within the social sector. NPB addresses both processes and comparative assessment, which is clearly a caveat solution. NPB does not claim to be a panacea, although NPB is a positive opportunity to bring measurements, comparisons, and greater value-creation to the social sector and volunteerism.

Further ideas and collaboration create the possibility for a more advanced discourse as the NPB Working Book is only one more step towards "new" philanthropy. Volunteerism is tremendously powerful and within the context of NPB can be more effectively utilized and communicated to accelerate mission growth.

To review, let's summarize the three NPB components as they relate to volunteerism and NGOs. NPB component one -- classic benchmarking pyramid-- provides the basic processes to understand comparative standing of the social sector situation under consideration. This comparison can focus solely on volunteer management or on more diverse NGO considerations, including the entire NGO. Remember both the three topical areas critical to achieving the highest probability of maximum integrity and NPB value-creation (hard metrics, 3rd party verifiable metrics, and extensive comparable internal metrics) as well as the three areas for consideration, also known as the P's: programs, processes, and polices. NPB component two -- progressive Intersectoral practices -- seek to create greater social value consistent with an NGO's mission. The main topical areas are social enterprise, strategic philanthropy, & and restructuring, and Social Capital Markets. Here, the common theme as it relates to volunteerism is creatively locating yet undiscovered value within NGO assets and executing to optimize their value. And, NPB component three -- NPB analytical tactics -- provides further value creation fuel through comparative valuation creation and performance on investment metrics. The primary three tactics discussed are deliverable opportunities, performance gaps, and the multiplier/discount effects. Here NGO managers can assess performance of existing situations as well as assess prospective initiatives, both of which can facilitate maximizing volunteer resources.

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<i>Classic Benchmarking Pyramid</i>	+	<i>Progressive Intersectional Practices</i>	+	<i>NPB Analytical Tactics</i>
★	★	Social Enterprise	★	Multiplier/ Discount Effect
★	★	Strategic Philanthropy & Restructuring	★	Performance Gap
★	★	Social Capital Markets	★	Deliverable Opportunities
		Hard Metrics		
		3rd Party Verifiable Metrics		
		Extensive Comparable Internal Metrics		