

management. *perspective*

PHILANTHROPY

In doing good, do your firm well in picking charity

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At any time, but especially in these challenging times, charitable giving offers companies an important opportunity to connect with their communities, customers and staff by demonstrating their values and concerns for the larger society.

With limited resources and continued economic uncertainty, understanding how to best use your company's philanthropic dollars is critical. So, too, is how to select your partners in philanthropy.

The growing number of philanthropic organizations in Canada and elsewhere is creating greater competition for relatively finite resources. Demand for donations is growing faster than supply, while fundraising costs are rising and a larger number of organizations are contacting the same pool of philanthropists.

With the burgeoning number of philanthropic organizations, working with one to meet your specific goals and objectives is often the most effective and efficient way to go. A partnership can allow you to leverage its existing knowledge, experience, networks and infrastructure, resulting in a larger impact.

When deciding which charity to work with, you need to identify your corporate-giving objectives and then conduct sufficient research to properly determine which organizations will help you achieve them. Consider which operating model best fits with your ideas, which organizations espouse values that are closest to yours, and which best fits with the way you are prepared to interact.

Look at the performance of the philanthropic organization you are interested in supporting. How much overall effect has it had on the need you wish to address? What strategies is it planning over the next three to five years to improve results?

To gauge whether a charity has a track record of delivery and a plan for the future will require delving into its community, past results and objectives, which can be achieved if the organization is sufficiently transparent.

Also look at how competitive the organization is. Does it innovate to find new solutions, actively engage its donors, adapt to its changing environment, and have a diversified resource base? Assessing this is important if your desire is to have a lasting impact with your contributions.

When assessing an organization's competitiveness, determine whether its strategy for fundraising and deployment are appropriate to its mission, competencies and resources, as well as the environment it operates in.

Beyond this, there are broader questions you may wish to ask. Is the management and governance appropriate? Do the people around the table have the right skills and perspectives? Is the organiza-

nization staffed with the talent necessary to do the job?

When considering competitiveness, two red herrings have arisen in the past few years. One is executive salaries and the other is operational efficiency, usually assessed under the guise of "administrative cost."

Arbitrary government-imposed caps on executive salaries are not the way to ensure either the effectiveness or efficiency of a philanthropic organization. This is not to excuse excessive salaries. Rather, it is important for the market to work. Some philanthropic organizations are complex, requiring unique and advanced capabilities in their executives. These agencies may need individuals who require market salaries.

Donor and recipient organizations need to ensure that there is transparency in executive compensation and proper governance in oversight. Review executive salaries, but be conscious of what the market costs are of individuals appropriate to the philan-

thropic organizations you are interested in.

The second issue arises when asking whether philanthropic organizations are efficient, which gets at the question of administrative cost. Just like businesses, you can only assess the cost of goods and services sold, and measure general and administrative expenses against your business model.

Is a 40-per-cent general and administrative expense high or low? It depends. Philanthropic organizations need to be measured against the models they use. For example, fundraising organizations may find that lotteries and similar events with higher costs are the most advantageous root to raising substantial sums. In such cases, it is common for fundraising organizations to spend more than one dollar to raise three. These agencies need to be compared for efficiency against other organizations with similar models, not against some arbitrary average. Be careful when reviewing tables of ad-

ministrative costs to understand the models being used and whether they are relatively efficient.

You also need to measure performance on an on-going basis. Metrics must be in place in order to demonstrate the effect of corporate and individual charitable giving. Ask what information the charity in question provides and why, whether you are able to retrieve the information you need either directly or indirectly, and whether the organization is transparent in providing it.

The important point is to make a difference. Do your homework and select the right partner, but don't forget to act.

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