

NETWORK

December 1997

Volume 1 Number 3

Second in a series on Benchmarking

Parameters, Benefits and Challenges

While benchmarking is a simple concept, it is helpful only when used properly.

"It is time consuming and can be expensive," said John Coy, president of The Consulting Network. "It is critical that the information gathered helps companies address their key issues in meeting program objectives."

Important questions to ask before embarking on a benchmark process include:

- What is important to the evaluation process?
- Are findings measurable and comparable?
- Is the information straight forward and easily understood?
- Is the data applicable to the business and program?
- Will the information demonstrate or be applicable to measuring impact or outcomes?

Network recently interviewed three corporate leaders who talked about their most useful benchmarking

BASIC PARAMETERS FOR CORPORATE CITIZENSHIP BENCHMARKING

- **Financial and data comparisons.**
- **Major programs, focus and initiatives.**
- **Staffing, reporting lines and organization.**
- **Scope of responsibility.**
- **Governance and authority.**
- **Management policies and process.**
- **Relationship with the overall enterprise - departments, operating units.**

parameters and the benefits and challenges benchmarking poses in their companies:

- Maureen Gorman, assistant vice president, Corporate Public Involvement and Philanthropy, and vice president of the GTE Foundation. Major focus: education.
- Al Senger, director of Community Affairs for TRW. Major focuses: education, the arts, health and human services.
- Deborah Stahl, executive director of the Lucent Technologies

Foundation. Major focus: primarily education, but a strategic plan is in development.

Benchmarking has become a way of life at all three companies. "You cannot live in corporate America today without understanding what others are doing," said Senger.

"It gives us a sense of where we are relative to other company programs," said Gorman. "We consider ourselves a leader in giving and philanthropy, and we want to maintain a position among the top companies that we feel

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are our peers within the telecommunications industry and business in general.”

“Benchmarking is particularly helpful with a new foundation to understand what customers, competitors and corporations of comparable size are doing,” said Stahl. “It’s not just calibrating where our efforts stand in relation to others, but also getting useful information on how to improve our processes.”

DOLLARS AND CENTS

There are a number of parameters that can be used to define your benchmarking process. Financial comparisons are the most popular.

“I started out looking at financial comparisons to determine what our annual budget would be,” said Stahl. “Our main indices are percent of pre-tax net income, our ranking on the Fortune 500 list and the level of giving of companies in our benchmark group.”

Senger said, “We just went through an exercise of looking at our basic customers: groups in the auto industry, manufacturers and aerospace companies.”

“We look at the percentage of earnings, sales and dollars per employee. We no longer look at the domestic profit before taxes because it can vary in so many ways you have no control over,

such as extraordinary income or charges.”

Coy noted that there is a trend to use a more balanced financial scorecard than to rely solely on a measure against pre-tax net income.

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— Deborah Stahl
Executive Director
Lucent Technologies
Foundation

Gorman added, “We look at revenue, size of company and net income when there’s a comparable relationship to ours. When we look at our future funding, we sometimes try to find out what others are planning. Strategic planning is critical in setting the budget.”

THE PROGRAMMATIC CHALLENGE

Getting the financial data is the easy part. It is more challenging to get valuable program comparisons.

In fact, Senger said it is difficult to benchmark other company

programs because programs tend to reflect the nature of each company, its executives and its goals and objectives.

Gorman and Stahl said that programmatic benchmarking is useful only when it includes a behind-the-scenes look at the strategy and goals of another company.

Gorman said, “Some people might just give grants, while others tend to be more program focused. We try to look at companies with a focus like ours. When we find similar approaches to funding, we visit with them.

“Once you have the quantitative data you need, conversations help you find the purpose of their program so we can make a better comparison.”

Stahl agreed. “We are just now looking at programmatic comparisons. The really useful information delves deep into what’s behind the program - what it is that motivates the company - information that is not always accessible.”

BENCHMARKING STAFF AND ORGANIZATION

“Like most new efforts, we’re trying to figure out what is the right amount of staff,” said Stahl. “We found that many foundations are in the same boat: trying to do a

lot with a small staff.”

“In addition to staffing, I’m interested in how people use consultants, project contracts and outsourcing to fill in when resources are limited.”

Gorman said the GTE Foundation does benchmark staff and organizational data, which is especially important as GTE shifts from a more regulated to a more competitive environment.

“As with all measures, we need to go behind titles to understand what the staff capabilities are, what they spend their time on and where they fit in the overall organization,” she said.

OTHER VALUABLE PARAMETERS

Gorman said the GTE Foundation also benchmarks regional priorities. “GTE is a far flung enterprise, but it is primarily in the United States. So, when we look at each region, there are variances about where the priorities should be.”

“We talk to our own people about priorities and the issues they face, because one size program doesn’t fit all. For example, education is an issue in every community, but it plays out differently. We want our programs to be responsive to each region.”

INFORMATION FROM MANY SOURCES

There are many sources for the

DEFINING COMMUNITY RELATIONS

Somewhere between pure philanthropy and commercial self-interest lies strategic community relations where a company builds valuable goodwill and, at the same time, addresses issues important to both society and its business endeavors.

Community relations is not about doing the business of the company. It’s about improving the environment in which the company conducts its business.

types of benchmarking information that a company needs.

Senger cautioned that there is no single source for data. “I am a member of the Contributions Council of The Conference Board, and we share information regularly. I also talk to colleagues and use published data. Consultants are helpful in finding the information that requires more detailed research.”

Stahl said she often relies on a patchwork of information received from publications, interviews, consultants and the Internet.

“The Internet is so important day to day. I use it if I am trying to quickly get information on the focus of a company program or what they stand for in philanthropy. It is also useful to find news releases on programs or to get profiles of nonprofits.”

“But, keep in mind that the information on the Internet is

what the source wants you to see,” Stahl said.

Gorman said she uses a wide range of resources, including staff members from internal GTE departments. She again stressed that a depth of understanding comes only from talking through the issues.

Coy noted that he often is surprised that internal resources are overlooked, particularly when benchmarking issues. “If you want to know what health care issues impact your company, ask your benefits people! They have costs to the dollar,” Coy said. “If you want to know what customers think, ask marketing! They probably have reams of data for you.”

BENCHMARKING CAN BE TRICKY

Several challenges are inherent in the benchmarking process, but the

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greatest seems to be asking the right questions.

"You can get lots of information," Gorman said. "The question is, 'What do you need?'"

Stahl added, "The information must be applicable to your program to make valid comparisons. For example, in trying to figure out how much companies give, you need to sort out cash, in-kind, product and other giving. Otherwise, it's like comparing apples to oranges."

"Also, there is a danger that unless you do a comprehensive job with interviews, you can sometimes attribute things to data that aren't there," said Stahl. "That's a shortcoming of quick and dirty benchmarking, especially when you are researching program priorities."

Coy noted that with the growth of strategic programs, corporate citizenship, community relations and contributions are becoming more competitive, which can affect a benchmarking exercise. Some companies are less open about their focus or the rationale or objective of a major initiative.

Senger offered that even getting data can be difficult. "Some people feel it's private and are not forthcoming. But, benchmarking is nothing more than a tool to compare how you're doing. If you're a runner, and you time

yourself on certain distances, then you're benchmarking yourself. It's a way of analyzing your activity."

"There are people who are very generous with their information and advice, and I am grateful," said Stahl. "Most people in the philanthropic field are committed to getting good work done and helping people strengthen and improve the contributions function."

The final major challenge? "Time, in capital letters and blinking lights," said Gorman. "Your time and that of the people you're asking information from. Also, the time it takes to analyze and digest the information and figure out what it means to your program."

THE TOP BENEFITS

Benchmarking can serve a number of purposes within a company, but what are its most useful benefits?

Senger said, "Benchmarking can give you a good sense that what you're doing is on target with best practices, or it can indicate that you should take a serious look at ways to improve."

"In starting a new initiative like the Lucent Foundation, the most important benefit has been in educating my trustees and others about what we want to do," Stahl said. It's always easier to tell a story using examples. When recommending how much your foundation ought to give or what

programmatic direction you should take, case studies are illustrative."

WILL BENCHMARKING SURVIVE?

If GTE, Lucent Technologies and TRW are any indication, the need and future for benchmarking is bright.

"I think it will become more important to our function. We continually will be asked, 'Why are we doing this? What value does this have to the total company? Are we integrated into the company?' Benchmarking will become even more necessary," Senger said.

"It's always healthy to look outside of your own organization, especially for opportunities to improve," said Stahl. "I see benchmarking as a standard way of doing business. It is part of the Quality process."

Gorman added, "Benchmarking will always be important, especially with contributions, because no one else in the company does what we do."

"We really need to have the people and information within the industry we can call on to help us shape our policies, procedures, organizations and strategies."

But Gorman noted, "Benchmarking is the easy part of the journey. It only takes you half the way. The hard part is using the information to set a strategy and course to determine where you ought to go."