

Best Practices: Creating Shared Value

Host: Ted Hart

Guests: John Holm – CAF America

Sandra Miniutti – Charity Navigator

Announcer: Welcome to the *CAF America Radio Network*. A production of the Charities Aid Foundation of America. As the leader in global giving, CAF America offers more than 20 years of experience and expertise to corporations, foundations and individuals who wish to give internationally and with enhanced to-do diligence in the United States. Through its industry-leading grants management programs and philanthropic advisory services, CAF America helps donors amplify their impact. This show is dedicated to these donors and the charities they support. CAF America is uniquely positioned to serve as the bridge between these important partners and transforms vision into meaningful action.

Guests on *CAF America Radio Network* are leaders in their field who share tips for success and stories that inspire. Our host is Ted Hart, the CEO of the Charities Aid Foundation of America. This is a live call-in show. Add your voice by calling 914-338-0855. After the show, you can find all of our podcasts at cafamerica.org. Don't forget to dial 914-338-0855. Now, welcome the host of the *CAF America Radio Network*, Ted Hart.

Ted Hart: Welcome to this latest edition of the *CAF America Radio Network*. This is Ted Hart and this is a live calling show. In addition to calling in and asking a question of our guest at 914-338-0855, you can also join us over in the chat-room. I see some folks over there, or you can email me your questions at tedhart@cafamerica.org. First up here on *the CAF America Radio Network* is Sandra Miniutti. she's going to be joining us here from Charity Navigator. She currently serves as vice president of marketing and CFO at Charity Navigator. Welcome here to the *CAF America Radio Network* Sandra Miniutti.

Sandra Miniutti: Thank you so much for having me on the program.

Ted: Sandra, it's great to have you here for our listeners. Why don't we start off with what is Charity Navigator, what is your mission and what is it that you do?

Sandra: At Charity Navigator, we exist to help donors make informed giving decisions and we do that by rating charities.

Ted: How many charities do you rate?

Sandra: Currently we rate about 7,000. It may be eye-opening to our listeners to know that there are over a million public charities in America. We have a ways to go.

Ted: Right, you are currently set your sights on rating what types of charities? There's specific guidelines that you look for in terms of the capacity that you have, you're a small non-profit. Your capacity allows you to currently rate about 7,000. What kind of characteristics would you say are of those 7,000?

Sandra: Well, that's right. We follow the donor dollar, so we've limited our analyses to the largest charities in America that depend on support from the public. Also, those that are filling the form 990 annually, so groups like the Salvation Army that have taken exemption of the Church, we can't rate them because they don't file the 990.

Ted: Okay. Even though they are a public charity, they don't file the 990 and that's part of the criteria that you have set. Now, in the criteria that you've set in the 7,000 that you have rated, what is the rating system and how is that determined?

Sandra: We give charities a zero to four star rating, four stars being the highest. We rate them in two areas of their performance. Their financial health and their commitment to being accountable and transparent. Under finances, we're looking at seven various metrics that examine their efficiency and their ability to sustain their program through their financial resources. Under accountability and transparency, we're looking at 17 metrics that cover best practices, good governance, ethical behavior. For example, does the charity complete an annual audit, does it have at least five independent voting board members, does it have a conflict of interest policy, does it post its 990 on its website, all those relate best practices.

Ted: In setting that criteria, what do you think that says to the donor public? What response have you received as an organization to the value that donors place on your rating system?

Sandra: I think the unfortunate truth is that donors are more skeptical these days. There's so many negative stories in the media about the performance of some bad apples factor. Donors want some assurances that their donations are going to do great things. With the recession, people have less money to give and we really want to know whatever dollar they're able to put forth into the non-profit sector, that they're going to get a return on that investment.

Ted: That's part of the criteria. Now, your criteria is pretty extensive. It sounds like that's a lot of work on your staff to evaluate a lot of data points and then place them in one of the star ratings.

Sandra: It's pretty vigorous and also, each time we add a charity, we're making a commitment to rate them year after year, after year. Our ratings are not static. They change continuously as we receive new information on charities. It is a rather time-consuming process. We've also made a promise to rate 10,000 charities by 2016 and we've also made a commitment to rate them on a third dimension which looks at their results reporting. We want to inform donors if the charities are actually measuring and reporting on its impact.

Ted: Okay, terrific. One of your newest rated charities is CAF America and known as the Charities Aid Foundation of America. Talk to us a little bit about it, and let me say thank you. I'm very honored to have earned the four-star rating. CAF America is now part of that commitment to 10,000 charities. What does that mean to be one of the newest charities rated by the Charity Navigator?

Sandra: Well, I think the solid thing to point out for CAF America's rating is that you get four stars straight across. You get four stars in your financial health, four stars in accountability and

transparency. In fact, the perfect score in accountability and transparency, so that's something really to be commended. In terms of financial health, CAF America's devoting the vast, vast, vast majority of its budget to its programs and services which is something that is critical to most donors. You're growing and putting some money away for rainy days so there's that level of sustainability there that gives you the opportunity of really focusing on your goals and challenges that you see coming in the future.

Ted: Thank you for pointing out that it's not just a single four-star rating but four stars in each of those categories. In general, you may not know the exact number, but what percentage of the 7,000+ charities that you rate right now would receive, basically, a four-by-four star rating?

Sandra: You stumped me there, but I would say probably around 5% or so.

Ted: Okay, so not all that common. Even within the rated charities to have across the board. There may be some that receive four stars in one category, but relatively rare to have a charity earn four stars in each of the four categories.

Sandra: That's correct.

Ted: You mentioned the growth of Charity Navigator and the changing times for Charity Navigator. You've made a commitment, as you said for the next couple of years to grow by another roughly 3,000 charities being evaluated. I think, as you said before, but just to clarify that, your focus in that 10,000, the current 7,000, is an attempt to rate those that are following the donor dollars, as you said the largest charities, those charities that are attracting currently the largest amount of support. Is that because you feel that by doing that you're actually rating a significant part of philanthropic marketplace, not by number of charities, but by dollars donated?

Sandra: Absolutely. The charities that we're currently rating account for about 55% of all donations made annually in America to charities excluding houses of worship. We believe that by the time we hit 10,000, we'll be closer to 75%.

Ted: That's what I was going to ask so that the 10,000 isn't just sort of a magical number, but it actually gets you to vastly more than the majority of the dollars that are donated. That says something about the concentration of philanthropy in the United States. While it's a vast philanthropic marketplace, it is, nonetheless, one that's very concentrated.

Sandra: Absolutely. It's kind of like 1% of what's going on in the regular sector. Like last year, that whole process. We have very few number of super large charities that make up the sector pretty much. Then we have many, many tiny charities out there.

John: Right. For Charity Navigator what you hear from your donors and that's really your principal market is that not that those who are donors to charities you're looking to give them an independent view of essentially where the largest percentage of dollars goes in the United States. What's the response that you get back in terms of this four different four-star ratings?

Sandra: I think that donors are really reassured that their money is going to do great things and they want to know that before they make that substantial donation or make a commitment to being a monthly donor. We find more and more people are trying to our rating to make sure that they are picking the right charities for them.

John: This saves a donor money, does it not for those donors that a time and money, I suppose, for those donors who would want to or need to do the vetting themselves? They can save that time and money and rely on the ratings from Charity Navigator for, again, a small number of charities, but a large percentage of the dollars donated.

Sandra: Yes, what we know and you probably know this as being a donor yourself, most people don't want to spend the time doing the homework and the research and trying to decide for the 990, it's a lot of work. We do that for them so that they have the opportunity to be informed.

John: That's great. Before we wrap up here, any additional notes or thoughts for our listeners in terms of Charity Navigator they can reach you online at charitynavigator.org? Anything else that they'll find when they go there that may be significant for them?

Sandra: We offer lots of tips, lots of customized lists and also whenever there's a disaster or crisis, we'll put together a list of charities responding. Many times that's when donors are giving to groups they're not typically supporting at other times of the year or groups they're not familiar with, so we provide that analysis as quickly as we can after a disaster.

John: That's terrific. Well, we again here at CAF America, here on the CAF America Radio Network are thrilled to have earned, not only the four-star rating, but four stars by four stars by Charity Navigator. Sandra Miniutti is joining us from Charity Navigator. Thank you for being our guest today.

Sandra: My pleasure and congratulations.

John: Terrific. Thank you. We'll be right back after this break with our guest John Holm who is the Senior Director of Business Development at CAF America. We'll be right back.

Announcer: Remember our podcast and archives are always available 24 hours a day at cafamerica.org. If you're listening today, our phone lines are open. Call in and ask a question by dialing 914-338-0855. Now, back to the CAF America Radio Network and our host, Ted Hart.

Ted: We are back here live on the CAF America Radio Network. With me now is John Holm. He is the new Senior Director of Business Development, marketing and communications of CAF America. As thrilled as we are to have him here on staff. He brings with him a great deal of experience in the issue and the topic of shared value. He was a General Manager of Libri Book chain in Romania, increased year to year revenue by close to 48% on a shared value initiative and methodology that he devised and developed. John also developed and led the shared value action learning project at Maastricht School of Management in the Netherlands and Romania. Welcome here on the CAF America Radio Network, John Holm.

John: Well, thank you for the introduction, Ted. I appreciate it. Look forward to being on the show.

Ted: Yes, it's great to have you here. This is a topic that's growing, we wanted to dedicate a good portion of today's show to this concept of shared value. As a thought leader in this area, of course, we've attracted you here to CAF America, because this is a priority for CAF America as well. Let's start off with our listeners. What exactly is the concept of shared value, and what is its role in international philanthropy?

John: That's a great question. I'm chuckling a little bit because the concept of shared value actually has been around and somewhat for a long time. Really, shared value is profitable business strategy that deliver tangible, social benefit. Essentially, looking at doing business in your philanthropy in a strategic context. Instead of just doing it to do a public relations photo opportunity.

Ted: Those are important concepts particularly in difficult economic times to make sure that the company remains strong but yet remains philanthropic. How is creating shared value different than business as usual CSR which I think a lot of, particularly our business listeners today are very familiar, probably very skilled in understanding corporate social responsibility or CSR. How is this maybe the next generation or the next step to really adding value? What creating the shared value difference?

John: That's an excellent question. I think provide that context with three separate bullet points to really know what the difference is between the corporate social responsibility and creating shared value. First and foremost, CSR really is just about a company's doing good. Whether that's make a donation or whether that's a photo opportunity, we're actually doing tangible work in the community. What's the differences with shared value having an economical and societal context.

Essentially, looking at it out of the office is that we do a business strategy around it, we make money and therefore we're going to reinvest and put more effort into that social cause or social issues. The other way to look at it too is away from the separate profit maximization which a corporate social responsibility has not been about maximizing profit, it's been about really pushing your marketing efforts to say, "Look how good we are." The switch really is moving toward the profit aspect of the business, but while profiting community, while building a better society, quantifiably.

Ted: Can you give us some examples of some companies that are incorporating shared value in their overall framework. As you said, it's not totally new, but it seems that the whole shared value framework is a way for people to sort of get their heads around this entire concept. It's sort of naming something they've been thinking about and trying to accomplish for quite some time.

John: Great play. What's new about it, is the actual measurement process. The companies that are really taking leads in this would be, for example, Nestle, Coca Cola, IHG or Intercontinental

Hotels Group, Horizon, they're all members of the global initiative of promoting shared value as a core business strategy. A lot of companies now such as Hoziron, such as Vodafone are making that move to move their CSR framework into the realms of shared value strategy.

Ted: Is shared value the next generation of CSR or is it an abandonment of CSR?

John: Great question. It's an evolution. It's evolutionary, I would say. What you're seeing now is that the interplay between society, nonprofit and business is much more interactive than it ever has been and that you can't keep that on silo. You're looking at your community efforts being removed out of the marketing with the CMOs position underneath the corporate social responsibility and being moved now into the boardroom. Now, the CEO, CFO, COO and the CMO are all working on shared values and community building together. I think that's a big change that's happening in society today.

Ted: How is that measured? What are some of the areas that a company, you mentioned some very good companies here, how would they start looking at measuring shared value as to whether they're successful or not?

John: Great question. I think the one way you can look at it as for example focusing first and foremost on social issues that a value change can have an impact on. For example, Libri Book chain in Romania, we focused on two things that our business model could impact and we could profit from. That was improving literacy and that was also creating transparency among our supply chain. By doing that, and focusing on that, we placed measurement from the beginning of a project, till the end with goals that we continuously measure. That issue, the social issue of literacy and the social issue of transparency has both a profit motive behind it and the community. They outplay in our measure from the beginning to the end.

Ted: There can be various degrees of shared value. In other words, the focus could be a little bit more on sort of the traditional CSR end of the project or on the profit side or trying to find a balance. In other words, there's a spectrum here. There isn't just one way to do it or one outcome.

John: Correct. 100% correct. The thing about shared value is the complexity of it. As you mentioned, there's not one simple way to do shared value. Every country, every community has different social issues that the company needs to engage on strategically. The company has separate needs as well. For example, FMCG going to market in Ghana, let's say is going to handle social issues differently than let's say an oil and gas company. The strategic complexity of it is what is unique to the situations, but also what could buy that at differentiating competitive value that can separate it from its competitors and also create that intangible societal value.

Ted: One absolutely important ingredient is the ability for corporations committed to shared value to be able to partner with strong charitable organizations around the world. That's where CAF America comes in to assisting in this this approach, is corporations of goodwill who want to learn shared value and want to be able to engage in this spectrum of management can turn to

CAF America to identify strong charities that they might consider for partnership and a shared value program.

John: That's 100% correct. When you look at the nonprofit's on the ground having to do that work and strategize with the companies boardroom. Now that's even more important now that transparency is now going to affect the bottom line, you're 100% correct. With CAF America's due diligence policy which is pretty much untouchable in the world, we can make sure that the companies are getting that credibility and expertise they deserve.

Ted: This is maybe principally, but certainly one of the reasons that CAF America has recently been chosen as a leader in this area, share with our listeners today the global initiative that CAF America is part of, the genesis of that and why CAF America has been chosen.

John: I would love to. Essentially, CAF America because of its position in the global marketplace has been vetted and successfully chosen to be a partner of the shared value initiative, which is part of the Clinton Global Initiative with market leaders such as Horizon, Coca Cola, Rockefeller Foundation and of course Michael Porter from Harvard to work with small select group of consultants around the world to build shared value strategy around the world. Ted, you and I will be receiving our accreditation for shared value consulting under CAF America in October.

Ted: Right, we'll be in London completing that program and this is significant because it helps create a true one stop shop for corporations providing strategic and tactical advisory services in all areas of international philanthropy. How did this start? How did that program come together?

John: It's a great question. The concept of the shared values really started becoming much more of a business strategy. Michael Porter and the shared value initiative was formed to really support working with companies to get this to the marketplace. Essentially, we were brought into this because of our background, also, as well as you mentioned earlier my background with the Maastricht School of Management Netherlands, Maastricht School of Management Romania, sharing up the shared value action in a project and working with the Clinton Foundation before this.

That's how it's come to Genesis because of CAF America's positioning under the restructuring CAF America has been undergoing now.

Ted: You mentioned earlier a number of corporations that our early adopters and our thought leaders in this area along with CAF America, what's the future look like? Is this going to very quickly become core competency or will this be a somewhat specialized high end program?

John: Great question. I think what you're going to see is that it's going to move into core competency eventually. I think what you're seeing now is, if look at Coca Cola for example and market positioning they start getting, you're looking what Horizon and Vodafone are getting on their market positioning because of shared values strategy. Even in the pharmaceutical industry with Eli Lilly, those competitors are now paying attention in how to catch up.

I think that you're going to see this right now as you mentioned, it's an early adopter stage, but I think you're going to actually see this catch on become part of companies and of nonprofits ability to work together in years to come.

Ted: For all of our listeners today who are interested in engaged in international philanthropy and are curious, are starting to hear about shared value probably most likely already have a commitment to CSR, What are their next steps?

John: Great question. I would say their next step would be actually to come to CAF America and become educated on what shared value is, as we are a one-stop shop but I think this is the next step and phase of being educated on global philanthropy, I think they should reach out to CAF America.

Ted: You mentioned this in the concept of international giving, because of course CAF America is well known throughout the United States having the most robust vetting process and being a market leader in international grant making. CAF America also is an expert in domestic giving, as well, is there a shared value domestic component?

John: Absolutely, and I think this is an overlooked question that we always look at shared value being for emerging markets. I think that what you can look at is there's many community in the United States that are not being properly focused on correctly with their social issues. I think there's plenty of a need for that here locally. I think it's up to companies and for organizations like ourselves look in more in United States and to be able domestically to implement shared values strategy as well.

Ted: John, you're clearly a leader in this area and this is an important offering of CAF America as we continue being a market leader and a thought leader in these topics. What have I not asked you today that's important for our listeners today to understand about shared value?

John: You asked actually a really good set of questions. I would say that the only additional context that I can add is that on the nonprofit side, the idea of knowing social impact measurement of quantifying your outcome, is going to become much more important moving forward. I think if we have the due diligence here at CAF America, the next step is for nonprofits to understand that also you need to measure your social impact, to measure where your output is, so we can actually tangibly touch what you're doing when you get that money and I think that's about the only additional context that I can add to the conversation.

Ted: There's a lot that nonprofits can do to prepare themselves to be a stronger partner and that's probably for a lot of charities in the coming decades going to become a core competency for them as well.

John: It's going to be part of their strategy as well, Ted, as you brought in your radio show, the world is constantly changing and quickly. I think what we're seeing is that nonprofit business interpolated right now is change is happening right now and those nonprofits and businesses that can move fast enough to understand that change, will actually have a much more impact on the local community as well as the bottom line.

Ted: Well, John this topic of shared value is not only fascinating, but increasingly important in the international and domestic philanthropic space. Thank you for being my guest here on the CAF America Radio Network. How can listeners today contact you?

John: They can reach me out and talk to me, Ted, at john@cafamerica.org or actually reach out to my direct line at 703-549-8931.

Ted: That's terrific. That's been John Holm, who is the Senior Director Business Development Marketing Communications at CAF America and now a leader in providing consulting services to corporations and others on the topic of shared value. Thank you for joining us here on this latest edition of the *CAF America Radio Network*.

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