Contributors to the London Benchmarking Group model

We would like to thank all those who have contributed to the LBG’s development over the past ten years, particularly:

Six founding members:
- BP
- Diageo
- IBM
- Marks & Spencer
- NatWest Group
- Whitbread

Members who joined the founders to pilot LBG’s ‘second generation’:
- American Express
- BT
- Camelot
- Centrica
- Levi Strauss
- Nationwide Building Society
- News International
- Railtrack
- Rio Tinto
- SmithKline Beecham
- Unilever
- United Utilities
- and CAF as co-sponsor

LBG members who continue to develop the model:
- Abbey
- Allied Domeq
- Altna Group
- Anglo American
- ADT UK
- BAA
- Bank of England
- Barleys
- BAT
- BBC
- BG Group
- BNF
- The Body Shop
- Boots Group
- BP
- Bradford & Bingley
- British Airways
- BSkyB
- BT
- BUPA
- Cable & Wireless
- Cadbury Schweppes
- Camelot
- Centrica
- Cheshire Building Society
- CMS Cameron McKenna
- Co-operative Financial Services
- The Co-operative Group
- Credit Suisse First Boston
- Deloitte & Touche
- Deutsche Bank
- Diageo
- Dresdner Kleinwort Wassertein
- EDF Energy
- EMI Group
- E. ON UK (Powergen)
- Ernst & Young
- ExxonMobil
- Friends Provident
- Freshfields Bruckhaus Deringer
- FSA
- GlaxoSmithKline
- HBOS
- Herbert Smith
- HSBC
- John Lewis Partnership
- Kellogg’s
- KPMG
- Linklaters & Alliance
- Lloyds TSB
- Marks & Spencer
- Marsh
- McDonald’s
- mmO2
- Morgan Stanley
- National Grid Transco
- Nestlé UK
- NFU Mutual
- Northern Rock
- Pearson
- Pfizer UK
- PricewaterhouseCoopers
- Procter & Gamble UK
- Prudential
- Reed Elsevier
- Rio Tinto
- Rolls-Royce
- Royal Mail
- Royal & Sun Alliance
- The Royal Bank of Scotland
- RWE npower
- SABMiller
- Sainsbury’s
- Scottish Power
- Scottish & Newcastle
- Severn Trent
- Shell International
- Standard Life
- Tesco
- Thames Water
- UBS
- Unilever
- United Utilities
- UnumProvident
- Vodafone
- Whitbread
- Woolworths
- Yell
- Zurich Financial Services

as at December 2004
In ten years the LBG has grown from the shared ideas of six UK companies, working together to develop a standard for measuring, benchmarking and reporting their community programmes, to a robust and comprehensive model, used by hundreds of businesses around the world.

Our watchword so far has been steady, sustained growth and rigorous testing of the model, to ensure it works for companies of any size, from any sector and in any country. Its users confirm that it helps them learn from each other, plan more strategically and report accurately and credibly.

As a founding member of the LBG, I am pleased to be able to share in the celebration of ten years of the LBG’s growth and achievement. Above all, I want to recognise the valuable contribution made by nearly 100 LBG members in ensuring the model drives innovation and improvement in corporate community involvement, and stays relevant and responsive to the needs of companies and communities. It is their work that makes the LBG work.

Our goal for the next ten years must be to ensure that the LBG model fulfils its potential as the global standard for measuring and reporting corporate community involvement, cementing companies’ important role in communities and wider society.

Geoffrey Bush is Director of Corporate Citizenship at Diageo.
It has been a great privilege for us to have worked with so many talented and committed managers in the companies of the LBG over the past ten years. From the start, members have been keen to answer three practical management questions, which are as crucial now as then:

- How are companies actually contributing to the community, at the centre and out in the field?
- Are we doing the right things, and doing them well?
- Above all, are we achieving what we set out to do, and more besides?

LBG members have worked together to develop a robust, easy-to-use model that allows them to benchmark their programmes and so help to answer these questions. Their goal has been better performance, both for their community investments and for themselves as individuals, wanting their companies to see the benefits that flow from a professionally managed community strategy.

Looking ahead, we anticipate that reporting of corporate community involvement will become more and more integrated into broader CSR reporting. Using the LBG approach enables companies to offer defensible, quantifiable, cost-benefit analyses for their CCI programmes, alongside other CSR reporting categories. Companies that embrace this rigour for their CCI tend to be developing similar disciplines for their CSR too.

We believe the LBG model is therefore of great interest to a much wider range of stakeholders, who want to understand and evaluate how companies manage and report their social impacts.

When each of us started our professional careers in this field, we knew at heart that corporate citizenship was much more than community involvement. The recent burgeoning of interest in CSR has confirmed that beyond doubt. Equally, we remain as convinced now as we were then, that effective, measured and benchmarked CCI is the cornerstone for many companies’ approaches to their wider responsibilities.

We hope that this tenth anniversary report will show to a new audience, as well as to some old hands, the continuing value of the work our great companies do in their communities.
Why measure?

MEASUREMENT IS MORE THAN A MANAGEMENT TOOL. IT PLAYS A CRUCIAL ROLE IN MANY DIFFERENT FIELDS OF HUMAN ENDEAVOUR. ALISON GULLIFORD CITES TEN EXAMPLES.

“I want to know where I am.”

The lack of a reliable way of calculating a ship’s position from east to west was the cause of considerable danger and loss of life as transoceanic voyages became common in the 17th century. The UK Parliament established a £20,000 prize fund, eventually won by clockmaker John Harrison. Harrison proposed using a highly accurate clock which could keep time at sea, allowing sailors to calculate the time-difference from a central point. Using the accurate time and the position of the stars, they were able to calculate their exact position.

Philadelphia, Rome and Lisbon were all used as reference points, but as the volume of sea traffic increased it became vital to have a single accepted standard for navigation. This role was filled by Greenwich Mean Time, making London the centre of the system of internationally-agreed time zones used to this day.

COMMON STANDARDS HELP US GET OUR BEARINGS.

“I want to make sure I’m doing the right thing.”

Investors use measures such as return on capital employed to ensure they get the best financial returns. Social return on investment can be harder to measure and may have a human as well as financial cost. A few high-profile cases of neglect and abuse by untrustworthy carers in children’s homes have shown the need for careful monitoring to ensure that children are helped not harmed, experience is shared and good work protected.

“I want to do the right thing right.”

The film ‘Chariots of Fire’ charts the rise of Harold Abrahams, the 100-metres gold medallist in the 1924 Olympics. In a field dominated by gifted amateurs, Abrahams turned to a professional coach, Sam Mussabini, to improve on his natural talent. Through rigorous training, backed up by measurement and critical assessment, he achieved small, incremental improvements in his performance. By the day of the race, he knew exactly what he had to do to win. At the time, his efforts won him notoriety. Now, his rigorous methods and critical self-examination are common practice for any serious athlete.

MEASUREMENT HELPS US CHECK IT’S BEING DONE AS WELL AS IT CAN BE.
Grainy film footage shows the Tacoma Narrows Bridge in the USA writhing and buckling like a toy in high winds. At the time of its design, engineers were ignorant of the risks that certain extreme weather conditions could create, on a terrifying scale, the effect which high-divers employ when jumping from a diving board into water. In July 1940 high winds caused the bridge to move to and fro at exactly its ‘resonant frequency’, exaggerating its natural movement to breaking point. Before building a major suspension bridge, engineers now take detailed wind readings to model the stresses the bridge is likely to face.

With experience, we can take steps to ensure that risks and threats don’t destroy what we’ve built.

In 2002, the humanitarian aid agency, Tearfund, ran a six-month hygiene programme for Afghan refugees, aimed at cutting the spread of diarrhoeal disease. Families were educated in basic hygiene precautions such as handwashing, and filtering and boiling water. A month later Tearfund sent an evaluator to assess the project’s success. His initial impressions were discouraging. Whilst he could measure the knowledge instilled and how people’s attitudes and practices had changed, he needed to establish whether the incidence of disease really had dropped. Families were reluctant to report their problems publicly, making it difficult to measure whether the project had achieved its goal. However by meeting the families involved and discussing how the teaching had helped them, he collected a fund of quotes and anecdotes which proved that the incidence of disease had dropped dramatically. UNICEF was so impressed that they committed substantial new funding to scale up the programme.

Experience shows that drug and alcohol education in schools works best when led by people whom students see as peers or respect as role models. Including life skills training, such as building self-esteem and role-playing how to say “no”, also helps. By contrast, programmes which are led by police or teachers, and which focus on how alcohol and drugs can harm, tend to be much less effective.

It is not possible or necessary to measure everything for all projects.

By choosing an approach we already know to be effective, we can make informed predictions - ‘modelling’ what can be achieved before committing.

So we don’t need to measure drug-taking behaviour or other events which are difficult to capture. Instead, we can concentrate on simpler process measures like the number of classroom sessions provided and the number of schoolchildren who attended them.

We can avoid the expense of extensive research surveys, and the time delay of waiting for events to unfold.

The closure and sale of school sports grounds across the UK looks set to become another example of a benefit lost because no-one had taken stock of what they actually achieved. Six thousand fields were sold

"I don’t want any nasty surprises."

"I want to check it worked out as planned."

"I don’t want to waste my time."

"I want to make a lasting contribution."

MEASUREMENT HELPS US ANTICIPATE PROBLEMS AND RESPOND CORRECTLY.

MEASUREMENT HELPS CHECK WE ACHIEVED WHAT WE MEANT TO, AND DOESN’T HAVE TO BE COMPLICATED.

CHECKING OTHERS’ FINDINGS CAN SAVE TIME AND MONEY – AND STOP YOU REINVENTING THE FLAT TYRE!

MEASUREMENT HELPS US ANTICIPATE PROBLEMS AND RESPOND CORRECTLY.
in the 20 years after self-offs were made legal in 1982, many making way for supermarkets, housing developments or car parks.

Physical exercise will play a critical role in keeping the UK’s population from becoming steadily more obese, yet the opportunity to establish good patterns early on is now diminished.

Don’t be put in the position of having to close a good project because you couldn’t justify the investment.

MEASUREMENT HELPS ENSURE THE BEST WORK SURVIVES.

“I want to get better at what I do.”

The Hawthorne Effect was named after a series of studies conducted at the Western Electric Hawthorne Works in Chicago between 1927 and 1932 by Harvard Business School professor, Elton Mayo. Mayo was examining the relationship between working conditions and productivity. Work hours, rest breaks, temperature and lighting were each changed in turn for a group of workers. However over time, Mayo found that it didn’t actually matter what factors he changed: they all resulted in increased performance. He concluded that the act of measuring can itself affect performance. The workers he was studying reacted to the fact they were being studied by working harder and better.

When people know you’re measuring something, they try to make the measurement turn out right.

So simply observing how things are working actually improves human endeavour. It’s a fact.

MEASUREMENT CAN IMPROVE PERFORMANCE.

“I want to know where I’m going.”

During the 1980s, the UK government introduced efficiency targets for the National Health Service. A key measure chosen was hospital bed occupancy - how many beds were occupied on a census night. It was later argued that clinical managers, keen to demonstrate that all beds were occupied, had started to delay discharging patients. As a result, many patients stayed in hospital longer than necessary and fewer emergency patients could be admitted.

People will naturally take steps to improve their performance in whatever is being measured.

Think about the effects of the measures you use.

Ensure the process is constructive and does more good than harm.

BECAUSE MEASUREMENT PROMOTES CHANGE, IT MATTERS WHAT MEASURES YOU USE.

“I don’t want to be left behind.”

Lack of a common standard for financial accounting was a factor contributing to the Great Depression of the 1930s, as investors lost confidence that their money was being used honestly. The great variety of accounting practices between countries made standardisation an uphill task, and for some years the future of a common standard was uncertain. However the sheer advantages of speaking a common language ultimately proved enough to give momentum to a worldwide set of standards, which are taking shape under the supervision of the International Accounting Standards Committee from 1973. Common standards take time to catch on, but become the norm.

COMMON STANDARDS TEND TO BECOME THE NORM.
CCII in short: a brief history of corporate community involvement

A CONVERSATION WITH DAVID LOGAN

Is CCI a new invention?
Far from it – corporate giving has its roots in the 19th century when businesses first became incorporated. Many LBG members can trace their community involvement to Victorian philanthropists. Jesse Boot, for instance, established Nottingham University from the proceeds of his chemist shops, while William Lever built a model community for workers of what was to become Unilever.

But surely modern community involvement is different from that?
Correct - the key difference is that decision making is no longer down to one business leader. Many early industrialists had the freedom to do as they wished with their company profits. As a broader group of shareholders took ownership of publicly traded companies, they wanted to see how all expenditures benefited the business. With this the early days of grand scale corporate philanthropy came to an end.

So companies stopped giving to the community?
They didn't stop completely, but between the 1930s and 1970s giving slowed to a trickle. Nineteenth century philanthropists had responded to the social problems of the new industrial society. Demand grew for the state to take the lead as it became clear that philanthropy would be insufficient to meet all society's needs.

So the welfare state elbowed corporate giving out of the way?
To a degree: in Britain, the welfare state developed after World War II with the emergence of a 'welfare consensus' for the state to provide for everyone. This left little room for companies to get involved in solving society's problems. Indeed for much of the next 30 years there was active hostility to businesses sponsoring social projects or having a say in education. Then along came Margaret Thatcher and the general sense that she came to represent that things needed to change.

What did Margaret Thatcher do for CCI?
She led an ideological assault on the welfare state - taking on the unions and reasserting the role of private enterprise. Business was set free to make profits as never before, but in the widespread restructurings and layoffs of the 1980s, expectations of businesses and their role in the community had once again radically changed. Older companies were able to reconnect with their roots as pioneering corporate citizens, while newer and recently privatised businesses were quick to see the advantages of engaging with pressing community and social issues. This enlightened self-interest marked the start of modern CCI.

So why was the LBG needed?
Out of this welter of contrasting expectations two things were clear - companies faced greater demands than ever and the role of the community professional was indispensable. When the chief executive of an LBG founder member in 1994 asked for an assessment of the CCI function, including its efficiency and its impact on the community and the business, there were no ready answers. It was clear that new management tools were needed to add rigour to the department's work. Above all, the LBG shifted the focus from giving money away to investing resources for company and community benefit.
Who else was working in this field?

In the 1990s, several key organisations worked to develop practical tools for managing CCI. The Centre for Corporate Citizenship at Boston College in the US (www.bc.edu/centers/ccc) and Business in the Community in the UK (www.bitc.org.uk) both developed frameworks to encourage best practice based on quality management techniques. Consultancy Bruce Naughton Wade, now ProbusBNW (www.probusbnw.com), also carried out pioneering work on standardised principles of effective CCI.

What does the LBG bring to the party?

The LBG model provides a unique approach for valuing company-wide contributions to the community, including cash, time, in-kind and management costs. It also provides a standard approach to quantifying and reporting the value of those contributions to the community and to the business. Finally, the model supports reporting of ‘mandatory contributions’ to the community, made by companies as part of regulatory requirements, and leverage, where company contributions unlock additional funds for charitable causes.

The LBG model is completely compatible with other management tools for CCI and is used by many companies to improve their response to the requirements of external standards such as the GRI and queries from socially responsible investors. In the UK, further examples include BiTC’s Corporate Responsibility Index and public reports such as the PerCent Club, the Guardian’s Giving List and The Sunday Times Companies That Count.

The model works best when companies co-operate as a group and share data and experience. The original LBG is a group of almost 100 companies in the UK. Other groups are being set up around the world.

Does the LBG address wider aspects of CSR?

The LBG model focuses exclusively on CCI, but provides information in a form that can be communicated to each stakeholder group, in a broader CSR report or a standalone community report. CCI is a very visible part of a company’s CSR strategy, often used as a first step in developing a broader approach, and therefore deserves careful treatment and full reporting.

How was it developed?

The LBG model was developed by member companies, working together to test the model and to feed back their experiences. The result is a practical, robust approach which addresses the thorny issues companies encounter when gathering data across large organisations and finding standard valuations for non-cash contributions.

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### Six drivers for the LBG

- Provide a framework for analysing the costs and benefits of CCI as used by other business functions
- Better management information to guide future strategy
- Shift the debate from costs of the CCI programme to benefits
- Capture and value key areas of contribution e.g. employee time and in-kind contributions
- Enable companies to compare like-with-like, using standard definitions and valuations
- Improve external reporting
<table>
<thead>
<tr>
<th>LBG milestones</th>
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<tr>
<td><strong>LBG’s first generation</strong>&lt;br&gt;launch, pilot and publish findings</td>
<td><strong>LBG’s second generation</strong>&lt;br&gt;test, refine and issue definitive guidelines</td>
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<tr>
<td>1994</td>
<td>1997</td>
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<tr>
<td>six companies start work to develop and test a new measurement model for CCI, facilitated by David Logan</td>
<td>twelve more companies join the pilot group</td>
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<tr>
<td>1997</td>
<td>1997-2000</td>
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<tr>
<td>publication of findings, the basic principles of the LBG model in, ‘Companies in Communities: Getting the measure’</td>
<td>eighteen companies test and refine the model with support from David Logan, Mike Tuffrey and the Charities Aid Foundation (CAF)</td>
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<tr>
<td><strong>LBG’s third generation</strong>&lt;br&gt;mainstream use of the model</td>
<td></td>
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<tr>
<td>2000</td>
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<td>LBG membership opened up to all companies operating in the UK</td>
<td>launch of the LBG in Australia as the Australia Benchmarking Group, working with the National Centre for Citizenship (NCC) and ARTD Management and Research</td>
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<td>2001</td>
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<td>launch of LBG in the USA as The Corporate Giving Standard, working with The Committee to Encourage Corporate Philanthropy</td>
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<td>2002</td>
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<td>LBG model tested in new sectors, such as higher education</td>
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<td>2003</td>
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<td>mandatory contributions added to reporting model</td>
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<td>2003</td>
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<td>members agree to drive towards fourth generation of LBG and establish four sector groups to deepen use of the model</td>
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<td>2004</td>
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<td></td>
<td>membership approaches 100 in the UK</td>
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<td>2004</td>
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<td>LBG is launched in France as the Group Français de Référence, working with Cap Juby</td>
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<td>2004</td>
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<td>three groups formed to pilot more intensive output measurement</td>
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</table>
In the fourth generation, member companies will:

- increase their use of the LBG model as a management tool, including benchmarking within industry sectors
- enhance output reporting to include not just project measures, but whole CCI programme measures
- increase their measurement and reporting of impact and long-term benefits

The goal is increased take up of the model, both in the UK and around the world, working through local centres of excellence, so that the LBG model becomes the international standard for CCI measurement.

"LBG is a trusted model for capturing more of our community involvement work. As we work as online media partner for a range of charity and community organisations, capturing in-kind donations on the AOL service is crucial. LBG has enabled us to take an overview of where resources go and discuss this approach with other media companies. We’ve also used LBG as a planning model in discussions with charity and community partners. It’s useful for organisations to know how you’ll be writing up projects and what you’re looking for in terms of leverage, impact and benefits."

KATRINA KEELING HEAD OF CORPORATE RESPONSIBILITY, AOL UK

"It’s a focused group of people with a similar agenda. This makes it very easy to pick up good hints, tips and advice."

BRUCE LEARNER COMMUNITY AFFAIRS MANAGER, KELLOGG’S
How we’ve done

LBG membership growth 1994 to 2004

Total amount reported 2000-2004

Improving the depth of data capture and reporting 2001-2004

Key developments in 2004

<table>
<thead>
<tr>
<th>Total number of input/output case studies reported</th>
<th>Total leverage reported (£ million)</th>
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<td>106</td>
<td>190</td>
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</table>

Members reporting mandatory contributions

Value of mandatory contributions (£ million)

010

098
LONDON BENCHMARKING GROUP
LBG reporting around the world 2004

Countries with centres of excellence

UK
- Albania
- Austria
- Belgium
- Bosnia
- Bulgaria
- Croatia
- Czech Republic
- Denmark
- Estonia
- Finland
- Germany
- Greece
- Guernsey
- Hungary
- Iceland
- Ireland
- Italy
- Kosovo
- Latvia
- Lithuania
- Luxembourg
- Macedonia
- Maldives
- Netherlands
- Norway
- Portugal
- Romania
- Russia
- Serbia & Montenegro
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine

Anguilla
- Antigua
- Barbados
- Bermuda
- British Virgin Islands
- Cayman Islands
- Dominica
- Dominican Republic
- Jamaica
- Montserrat
- St. Helena
- St. Kitts & Nevis
- St. Lucia
- St. Vincent and the Grenadines
- Trinidad & Tobago
- Ascension Island
- Falkland Islands

France
- Benin
- Burkina Faso
- Côte d’Ivoire
- Egypt
- Ethiopia
- Ghana
- Kenya
- Malawi
- Morocco
- Benin
- Burundi
- Cape Verde
- Comoros
- Congo
- Congo
- Democratic Republic
- Djibouti
- Egypt
- Equatorial Guinea
- Eritrea
- Ethiopia
- Gabon
- Gambia
- Ghana
- Guinea
- Guinea-Bissau
- Kenya
- Lesotho
- Liberia
- Madagascar
- Malawi
- Mauritius
- Mozambique
- Namibia
- Niger
- Nigeria
- Reunion
- Rwanda
- São Tomé and
- Príncipe
- Senegal
- Seychelles
- Sierra Leone
- Somalia
- South Africa
- Sudan
- Swaziland
- Tanzania
- Togo
- Tunisia
- Uganda
- United Republic
- Zambia
- Zimbabwe

Asia
- Alaska
- Bangladesh
- Bahrain
- Bangladesh
- Bhutan
- Brunei Darussalam
- Cambodia
- China
- Hong Kong
- Japan
- Korea
- Kazakhstan
- Kyrgyzstan
- Laos
- Malaysia
- Maldives
- Mongolia
- Myanmar
- Nepal
- Nepal
- Pakistan
- Philippine
- Singapore
- Sri Lanka
- Thailand
- Timor-Leste
- Turkey
- Turkmenistan
- Uzbekistan
- Vietnam

"The LBG has been instrumental in shaping our CCI strategy.”

YOGESH CHAUHAN  DEPUTY HEAD CSR, BBC
Companies are responding to changing social attitudes by publishing more rigorous data about their social performance. As consumers become more demanding and better informed, employees more ethically engaged, and a whole range of other stakeholders more determined to hold them to account, companies are publishing targets for managing their impacts on society, and measuring and discussing their performance.

Serious CCI practitioners have long known that the investments they manage are an integral part of their company’s performance, to be handled with professionalism and accountability. As the LBG moves into its second decade, we predict that the model’s clear, accessible approach will become the norm.

The LBG’s strategy for this period, called its Fourth Generation, was approved by members at the January 2003 Plenary. It focuses on reaching a critical mass of companies using the model in the UK, continuing to develop the model’s response to new issues and sectors, establishing the model as an international standard, and more rigorous work to measure what companies’ community programmes actually achieve, both for the company and the community.

Critical mass in the UK

At the time of going to press, the LBG model is already used by more than 100 companies. The challenge is to encourage all users – and other interested companies – to become members. Membership of a group enables practitioners to realise the model’s full benefits by sharing data with each other, bringing perspective on their own performance and reporting. The LBG’s target is to grow the UK group beyond 100 members so that all companies serious about CCI consider the benefits of membership.

Developing the model’s response to new issues and sectors

The model is a “living” framework. Whilst the basic building blocks of inputs, outputs and impacts have been established for some years, the model grows and maintains its relevance as its members continually bring questions and issues to the group. This process of answering questions, surveying other members’ practices and collectively agreeing policy is building a growing body of ‘case law’ – specific guidance on how to interpret the model for different issues and sectors. This work is ongoing and being developed primarily through groups representing different business sectors. Sector work now takes place among international oil companies, UK retailers, financial services companies, professional services firms and regulated industries. We see media, telecommunications, pharmaceuticals, alcohol beverages and international banking sectors as opportunities for immediate growth, and will aim to form new sector groups according to need and critical mass. Issues will continue to be handled as they arise. Recent examples have covered university research, free or subsidised publicity, advertising and web space, training initiatives, town centre and crime initiatives, the use of space in retailers’ car parks, senior managers’ involvement in government and other public policy initiatives, team sports days and blood donation.

Going global

A substantial proportion of LBG members are global companies. Meeting their needs in future will require a more international group, reflecting the full range of peers against which they want to benchmark and the value of comparing practices across national borders. LBG’s strategy is to encourage members to use the model across all the markets where they operate. We aim to establish a global network of local ‘centres of excellence’ to help grow members’ understanding and application of the model and help share data in the standard LBG format. Such centres already exist in the USA and Australia, and a new centre has just been launched in France. In the USA 50 leading companies are now using the model, applying it to approximately $4bn, or one-third, of US corporate giving. Ten companies are using the model in Australia, and six in France. Immediate priorities will be to spread the model’s use to a range of countries in Europe and across North America.
Looking further ahead, the LBG’s strategy is to form more groups which benchmark across national borders, as the oil companies’ group already does. We see particular potential for launching international groups as noted above in 2005 and to build on interest in South Africa, Argentina, Brazil, Mexico, Chile and the Philippines. As the home of the LBG model, the LBG in London will continue to function as a reference point for these and other centres and companies around the world.

**Better measurement of achievements**

In its first ten years the group has achieved and is using a standard methodology for capturing and valuing inputs, backed by a broad consensus. A priority for the future is to broaden and deepen members’ use of the model to measure and report what their programmes and individual projects achieve. We will continue to track and encourage improvements in members’ performance in measuring the outputs and impact of individual projects, and the additional resources which their contributions unlock from other sources. As part of our ‘4G’ commitment, we have launched three groups to pilot new work on behalf of LBG’s membership.

**Cost-benefit:** we know that community involvement can impact the business bottom line in a variety of ways, from building skills and reducing employee turnover to generating positive press coverage and new business opportunities. The challenge is to put a credible monetary value on these benefits. This will enable CCI practitioners to define the return to the business for every pound spent, and enhance their positioning as a benefit rather than a cost to the business. An LBG ‘cost-benefit’ working group is taking this forward.

**‘Whole programme’ indicators:** whilst some of our newer LBG members are still learning to measure individual projects, there is a demand from members to define and measure the main ways in which the community benefits from a company’s whole community programme, for example how many people are trained by a range of initiatives. Again, an LBG working group is taking this forward.

“*At Cable & Wireless the LBG model has provided comprehensive CCI data and a robust analytical tool, enabling us to:*

- maintain support for CCI as a business priority through times of low or no profit because of its demonstrable business benefits, particularly in maintaining the reputation of the company.
- develop more discipline in tracking community contributions. Before using the model, we were unable to capture the value of the internet connectivity we donated to not-for-profits as there was no method for calculating the value. Now these donations are recorded as in-kind contributions, with accompanying outputs and impacts.
- recognise that we could use community spend in the Caribbean more effectively by developing a common strategy for investment across the region. As a result we consolidated the community budget for all Caribbean branches to create a Pan-Caribbean foundation, with a tightly defined set of funding priorities.
- increase understanding of the distinction between community investment and commercial activity, clarifying reporting and informing programme strategy.”

**JOE FRANSES**

GROUP CSR MANAGER, CABLE & WIRELESS
Testing measurement tools and techniques: a powerful technique emerging from America is the calculation of social return on investment, or SROI. This enables a company running a community project focusing on employability, for example, to calculate the overall savings to society for each participant who finds work, through measures such as lower unemployment benefits and increased tax revenues. LBG is now working with nef (New Economics Foundation) in the UK to trial this methodology among LBG members.

In these ways the LBG membership provides a valuable test-bed for different ways to measure community projects. Within the framework of the LBG model, members pilot survey tools and sampling, for example, and share results with other members. Success will be measured according to how many members take up and use these new techniques and share their findings widely.

Getting the message across

Companies are faced with more demands for data from more diverse stakeholders than ever before. From NGOs and Socially Responsible Investment funds to governments and the UN Global Compact, organisations make frequent calls for businesses to account for their impact on society. By the end of 2004, three-quarters of FTSE 100 companies and nearly half of Fortune Global 500 companies had produced some form of CSR report.

Going forward, the LBG can help companies contribute much more robust, credible data as part of their wider communications strategies. But at heart, as an initiative developed by individuals managing CCI for individuals managing CCI, our primary purpose remains to help the people actually doing the job to do it better.

“At Vodafone we found the LBG model valuable to use with beneficiaries. It helped us to clarify the project goals before starting and to define our objectives and measures. Our partners also found the approach useful in subsequent conversations with prospective partner companies. The LBG model enabled them to demonstrate what they were achieving and to communicate that clearly and concisely.”

SARAH SHILLITO
SENIOR MANAGER,
THE VODAFONE
UK FOUNDATION

1 SalterBaxter/Context, Directions#3; trends in CSR reporting 2002-03.
LBG model in brief

Guiding principles
The LBG model follows the approach used by most business departments, such as marketing and HR, to provide a comprehensive accounting of costs and benefits.

To ensure the model results in accurate and comparable data, LBG members adhere to a set of guiding principles:

- Motive matters and affects measurement
- The contribution should be charitable
- If in doubt, leave it out; it’s better to under claim
- Value the contribution at cost to company, not at what beneficiaries would have paid
- Be clear about the goal of the project - what are we trying to achieve?
  - What is my investment actually buying?
  - Ultimately, how is the world a better place as a result of this project?

Basis of the model
The starting point for measurement is to be clear about what you want to achieve. LBG members identified three major motivations behind corporate community involvement:

- A sense of moral and social responsibility
- A belief that companies have a long term interest in fostering a healthy community
- Knowledge that CCI can have direct benefits to business

These motivations were used to identify three categories of CCI:

- Charitable gifts
- Community investment
- Commercial initiatives in the community

Together these categories constitute a company’s voluntary contributions to the community. Each category has a detailed definition to help measure how the motives behind community involvement can impact on a business.

The LBG model
Intermittent support to a wide range of good causes in response to the needs and appeals of charitable and community organisations, increasingly through partnerships between the company, its employees, customers and suppliers.

Long term strategic involvement in community partnerships to address a limited range of social issues chosen by the company in order to protect its long term corporate interests and to enhance its reputation.

Activities in the community, usually by commercial departments, to support directly the success of the company, promoting its corporate brand identities and other policies, in partnership with charities and community-based organisations.

Community contributions or activities undertaken as a result of the requirements of law, regulation or contract.

The core business activities in meeting society’s needs for cost effective goods and services in a manner which is ethically, socially and environmentally responsible.
Beyond voluntary contributions, a fourth category, mandatory contributions, includes community activities which a company undertakes in response to the requirements of a law, regulation or contract. As these are not voluntary, the LBG requires the cost of these contributions to be reported separately from voluntary contributions.

The fifth category, business basics, includes all core business activities involved in delivering products and services which are critical to business, but not motivated by community benefit. The manner in which these activities are managed has a significant social and environmental impact and is often reported alongside CCI in company reports, but is outside the measurement scope of the LBG model.

**Benchmarking inputs**

The model provides the definitions necessary to put a monetary value on the ‘input’ costs of a company’s CCI in four contribution categories, including the management costs associated with making the contribution:

- Cash
- Time
- In-kind
- Management costs

Typically members also analyse their ‘input’ contributions by subject or theme and by the geographic location of beneficiaries.

**Assessing outputs and impacts**

In addition, the model goes further by assessing what the company’s programmes actually achieve — the ‘outputs’ defined in terms of:

- Leverage of cash and other resources unlocked by the company’s contribution
- Community benefit, such as the number of people who benefit
- Business benefits, such as publicity achieved

Beyond such immediate outputs, strategic planning of CCI programmes involves assessing the impact on society and the business, where relevant. This is the final element of the LBG model. It involves revisiting the goal of the programme and asking what has actually changed as a result. New approaches such as social return on investment (SROI) provide a sound approach to quantifying a programme’s long-term benefits to society. These and other specific measurement techniques complement and enhance the LBG model.

The example on page 18 illustrates how the LBG input output matrix is used to gather data on a CCI programme.

“EDF Energy is fortunate to have extensive senior executive support for its programmes. However, it was lacking processes for reporting and managing its contributions. Through the LBG, we achieved:

- a comprehensive assessment of our work with a range of community stakeholders.
- feedback and input from across the business.
- an informed strategy to involve teams across the business.
- data to inform programme planning so we could maximise our outputs and impacts.

The LBG model has also enabled EDF Energy to talk about the mandatory contributions it makes to meet regulatory requirements, so that stakeholders can gain the full picture of the outputs and impacts that flow from the company’s interaction with society.”

**ALISON BRAYBROOKS**  
COMMUNITY INVESTMENT STRATEGY MANAGER, EDF ENERGY
“Rolls-Royce has been active in a whole range of community areas since it started in business 100 years ago. Prior to implementing the LBG model two years ago there was a process in place for capturing community data, but one which focused largely on the area of charitable donations. Joining LBG has given Rolls-Royce access to a network of other community practitioners who are working to develop the evaluation model. This year for the first time Rolls-Royce is surveying right across its business groups globally to try and capture a greater proportion of its contributions. Particular areas of focus include gifts-in-kind, such as engine donations and surplus office equipment, and employees spending company time supporting community activities such as civic duties, kids camps and schools liaison.

The motivation for using the model is to get a better understanding of what the business is already doing in CCI, not to police it.

Using the LBG model has provided a focus for data collection and helps to demonstrate that community activity has become a truly integral part of the business. We recognise that our ability to more accurately reflect our contribution to wider society is becoming increasingly important – both in terms of reputation management and in building strong relationships with key stakeholders.”

RACHEL CLARKE
COMMUNITY RELATIONS, ROLLS-ROYCE
Key features of the LBG model

By managers, for managers
The LBG model has been developed by individuals managing CCI for themselves and their peers. It is based on their experience of what really works and helps them do a better job.

Share and compare
The LBG is primarily a resource for companies to COMPARE their own community involvement with that of peer companies, and to SHARE best practice and ideas for improvement and innovation.

Focus on what matters
The LBG agenda is member driven. Plenary sessions, sector group meetings and masterclasses are developed based on member interest. Members work together to agree significant matters of policy.

Case study: KPMG’s Ready for Work Programme

Programme objectives: The main aim of this programme is to get ex-homeless people back into full time, sustainable employment in partnership with Barclays, Marks & Spencer and Marsh. All figures unless stated are a proportion of the overall total, reflecting the KPMG contribution.

Inputs over two years (2002-4)
Cash £50,000
Employee paid time: 52 volunteers contributing 3.5 hours each @ £32.10 = £5,842
In-kind £97,000, including project development time of CSR team, leadership support from a UK Board member and EMA CEO, provision of facilities for hosting the training days and other pro bono support along the way.
Total: £152,842

Leverage
£105,000 from UK government

Community benefits
234 clients accessed this programme, through 9 courses in 6 locations
4 placements at KPMG
59% offered jobs, with 43% accepting them (compared with 18% at outset) across entire programme
Changed perception of homeless people

Business benefits
Reputation among clients
Increased motivation, attraction and retention of staff
Personal development for employees who volunteer

Annual outputs

Community impact
145 people gained employment
Saving to society from the entire project, through taxes paid and benefits payments saved, of £3.9m

Business impact
New business contacts generated

“I get at least 10 times my membership fees each year. The LBG has avoided simply being a talking shop and has provided an opportunity for companies to fully understand their community contribution.”

ALAN EAGLE COMMUNITY AFFAIRS ABBEY
What membership involves

Each year members receive a comprehensive benchmark data analysis, including sector comparisons, size of programmes, staffing and employee volunteering. During the year, LBG members meet to discuss CCI issues in detail, to learn from each other in private and to share ideas to improve their programmes.

Member benefits include

- Individual consultation and in-depth assistance to apply the LBG model
- Circulation of members’ benchmark data to see what others contribute, understand how they value their contributions and learn from case studies
- A monthly members’ newsletter, with news on measurement topics, company reports and forthcoming events
- Two round-table plenary meetings per year for all members, with agendas based on topics suggested by the group
- 15-20 specialist industry sector subgroup meetings each year on specific measurement issues
- Access to the members-only section of the LBG website, for advice on implementing the model
- Use of the LBG logo and the right to cite membership in external publications

LBG charter and management

LBG members agree to a membership charter approved by the group. This covers a few manageable requirements such as:

- following the LBG principles in evaluating community contributions
- submitting basic data to the rest of the group once a year
- agreeing to keep other members’ data confidential

LBG members shape the group’s agenda through a Steering Group of member volunteers. The group is managed by The Corporate Citizenship Company. For members who are resource constrained or who are interested in additional support, consultancy assistance can be arranged and some aspects of the work can be outsourced, such as data collection, customised reports for presenting the data and LBG data assurance.

If you are interested in joining the LBG, please contact Sue Parsons or any member of the LBG team at The Corporate Citizenship Company on 020 7940 5610 or email: mail@corporate-citizenship.co.uk

www.lbg-online.net
The LBG is one of the unsung success stories of the UK’s evolving corporate community involvement scene, as I believe this tenth anniversary report shows. However, this remains work in progress, not job well done.

Yes, CCI professionals now have the tools to manage their programmes effectively and efficiently. But understanding about the real value and contribution of community programmes is still not strong. Internally, the annual budget round remains a fraught process for most. Externally, the general public thinks companies contribute much more than they actually do, while the media confuse contributions with social responsibility. Key opinion leaders, such as senior government ministers, are not much better informed either.

So, looking forward, we need to keep on working. Here’s a three-part call to arms.

First, in the face of the (very welcome) growing interest in corporate social responsibility, we need to reassert strongly the value of community contributions and of the community as a distinct stakeholder. If the battle a decade ago was to move the debate on contributions from corporate philanthropy to community investment, now there is a new front to defend – the distinction between CCI and CSR. And many community programmes don’t do themselves any favours: they may be relevant to a company long term – financial literacy in schools by banks, for example. But are they really addressing core social issues of pressing concern to stakeholders now, as CSR urges us to – unprecedented levels of personal indebtedness among those banks’ customers, for example?

Second, within the management of CCI programmes, let’s not fool ourselves that we are using as a management tool the full power of the measurement data we’ve now got, and so are able to demonstrate value for money and effectiveness for company and community. That’s what the LBG’s ‘4G’ agenda is all about – benchmarking meaningfully in sector, measuring outputs from the whole programme budget not just flagships, and moving to assess long term impacts from major investments. Even after a decade, LBG members cannot rest on their laurels.

Third, we urgently need a wider effort to educate people outside companies about the true contribution that the corporate sector makes. Say it quietly but it’s unfortunately a fact: long-serving Chancellor and prime minister-in-waiting, Gordon Brown, is wrong, on one point at least. Speaking at the NCVO annual conference in February 2000, he said “In the USA, around 1 per cent of company profits are given to charity. But in Britain it is only 0.2 per cent of company profits.” He went on to say “It is time for a new start here too…… we want Britain to start a new chapter in corporate giving.”

LBG members know they contribute significantly more. Business as a whole – small firms, unlisted companies, international subsidiaries – do too, and could show it if they measured it. And of course, LBG would say that the message could be infinitely stronger if we made the case in terms of results achieved, not just a fraction of profits donated.

The prize available to us all, if we rise to meet this call to arms, is huge. Our communities will be stronger and better resourced. Our companies will be more sustainable and increasingly successful. And the UK will be well placed to lead the world in a new understanding of the role of companies in communities.

Today, at the end of the LBG’s first decade, the global village feels a smaller and more fragile place than in the early nineties, when optimism was still high after the fall of the Berlin Wall and the release of Nelson Mandela. Whatever the challenges of the next decade, companies will be centre stage, for good or ill. I believe that effective community involvement has a small but vitally important part to play in building that more hopeful future.
For more information about:

LBG or LBG membership, please contact:
The Corporate Citizenship Company
Cottons Centre (Ground floor south)
London Bridge City
London SE1 2QG
Tel: 020 7940 5610
Fax: 020 7940 5619
Email: mail@corporate-citizenship.co.uk
www.lbg-online.net

LBG in the USA, please contact:
Charles Moore
Committee to Encourage Corporate Philanthropy
10 Wall Street, Suite 2-1
New York, NY 10005
Tel: 011 212 825 1000
Email: info@corphilanthropy.org
www.givingstandard.com

LBG in France, please contact:
Jean Christophe Camus
Cap Juby
266 bd St Germain
75007 Paris
Tel: 00 33 1 45 50 29 53
Email: contact@cap-juby.com

LBG in Australia, please contact:
Louise Redmond
Positive Outcomes
524-532 Parramatta Rd, Petersham
New South Wales 2049
Australia
Tel: 00 61 2 9004 6452
Email: louise.redmond@positiveoutcomes.com.au
www.lbg-australia.com

CAF, please contact:
Jenny Byers
Charities Aid Foundation
114/118 Southampton Row
London WC1B 5AA
Tel: 020 7400 2300
www.ccinet.org

The PerCent Club, please contact:
Caroline Peat
Business in the Community
137 Shepherdess Walk,
London N1 7RQ
Tel: 0870 600 2482
www.bitc.org.uk

Among companies using the LBG model around the world:

Aetna
Altira Group
Applied Materials
Arthur J. Gallagher & Co.
Australia Post
Bank of America
BankOne
BNF Billiton
BMC Software
Bradford & Bingley
Bristol-Myers Squibb
British Airways
British American Tobacco
British Nuclear Fuels
BSkyB
BT
BUPA
Cable & Wireless
Calgary Scheppes
Camelot Group
Carlson Companies
Centrica
Chehire Building Society
ChevronTexaco
Cisco Systems
Citigroup
CMS Cameron McKenna
Colgate-Palmolive Company
Computer Associates
Consolidated Edison
Co-operative Financial Services
Co-operative Group
Deloitte
Deloitte & Touche
Deutsche Bank
Diageo
Dover Corporation
Dresdner Kleinwort Wasserstein
DuPont
EDF Energy
Eli Lilly and Company
EMI Group
Ergon Energy
Ernst & Young
ExxonMobil
Flagstaff Financial
Freehills
Freshfields Bruckhaus Deringer
Friends Provident
Gap
General Electric
GlaxoSmithKline
Goldman Sachs
Halliburton
Hasbro
HBOS
Herbert Smith
HSBC
IBM Corporation
John Lewis Partnership
Johnson & Johnson
JPMorgan Chase
Kelloggs
KPMG
Levi Strauss
Lloyds TSB
Marks & Spencer
Marsh
McDonald’s
Merrill Lynch
MND
Morgan Stanley
National Australia Bank
Nestlé
Newmont Australia
NFU Mutual Insurance
Northern Rock
NRMA Insurance
Office Depot
Partners
Pfizer
Powergen
PricewaterhouseCoopers
Procter & Gamble UK
Prudential
Reed Elsevier
RIO Tinto
Rolls-Royce
Royal & Sun Alliance
Royal Bank of Scotland Group
Royal Mail
RWE npower
SABMiller
SAFECO Corporation
J Sainsbury
Schering-Plough Corporation
Scottish & Newcastle
ScottishPower
Serco
Shell International
Standard Life
Stanwood Hotels & Resorts Worldwide
Target Corporation
Telecom Italia
Tesco
Thames Water
The Body Shop
The Coca-Cola Company
The Home Depot
The McGraw-Hill Companies
The MNY Group
Thiess
Time Warner
Toyota Motor North America
Toys “R” Us
UBS
Unilever
United Technologies
United Utilities
UnumProvident
Verizon Communications
Vodafone Group and foundations
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