

**Innovations in Corporate Philanthropy:  
Adopting Balanced Scorecard  
Methodologies to Build Strategy  
and Evaluation Systems**

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Corporate philanthropy should be seen as social investment rather than charity, and it should be linked to an enhancement of corporate value. To that end, companies must rebuild their social investment mission and clearly reposition it from a management perspective. Strategies must be put in place to efficiently and effectively realize a return on social investments.

NRI (Nomura Research Institute, Ltd.) has developed a consultation system that objectively identifies the problems in corporate giving on the basis of a Philanthropy Diagnostic Program and then proposes effective solutions. This consultation includes assistance in reconstructing the client company's philanthropic mission, organizing it on a strategic basis, and developing systems for mission evaluation. The program includes innovative methods for corporate reform that adopt a balanced scorecard approach to evaluate business performance, and set the stage for the emergence of a succession of far-sighted companies that have undergone a paradigm shift in their strategies towards corporate philanthropy.

# I Strategies Required in Philanthropic Activities

## 1 Shifting the Paradigm from Charity to Social Investment

It is becoming increasingly clear that a company's philanthropic activities must be positioned as social investment rather than charity, and that the significance of philanthropic activities must be reconsidered in view of the calls for corporate value management.

Since 1990—which has been called Year One for corporate philanthropy in Japan—corporate giving has been strongly influenced by an altruistic mindset of returning a portion of the profits from business activities to society. According to a Keidanren survey of corporate donations,<sup>1</sup> expenditures on philanthropic activities by major Japanese companies amounted to 2.3 percent of their ordinary profits.<sup>2</sup> Thus a company with ordinary profits of ¥100 billion would be contributing over ¥2 billion. The survey respondents (309 companies) spent a total of ¥124.6 billion on philanthropic activities in 1999.

Essentially, the funds allocated to philanthropic activities should be regarded not as charity but as social investment. The reasons for this are twofold: (1) because of the lack of progress in management reforms, even areas previously regarded as sanctuaries must now become subject to radical review; and (2) the capital market's increasingly stern view of corporate performance is leading towards shareholder-oriented management. Thus the significance of corporate philanthropy is being questioned from inside and outside the company, necessitating explanations of how the fruits of philanthropy justify the costs.

As the money spent on philanthropy actually belongs to the company's shareholders, the idea that charitable work can be used to simply return profits from business activities to society must be reconsidered. A paradigm shift is required to reposition the concept of corporate giving as a social investment that makes effective use of limited and precious management resources and strengthens the basis for the company's survival.

## 2 The Returns Expected from Social Investments

Under the capitalistic system, investment is naturally expected to yield a return. Even if the monies expended on philanthropic activities are regarded as a social investment, the company should expect to see a return.

Generally speaking, anticipated returns in the course of company management are commonly seen as financial rewards over the short term. For example, when deciding whether or not to invest in a given project, the decision-making process would include an analysis of cash flow generated at the end of three years.

However, the definition of the return a company gains through philanthropic activities differs from that involved in the simple pursuit of profit. The aim is not necessarily to secure a short-term financial return. The position of philanthropic activities can be re-evaluated with a two-dimensional matrix—with short-term vs. long-term parameters on one axis, and financial vs. non-financial parameters on the other.

When returns are evaluated in terms of a timeline, they can be divided into short-term and long-term perspectives. Indeed, one of the reasons that both long-term as well as short-term returns are acceptable in philanthropic activities is that the results are not easily realized in the short term.

Let us look at the example of a philanthropic program that takes children to camp in the countryside, where they can learn about nature as part of a healthy development and maturation process. The question of whether or not children who participate will grow into healthy adults cannot be answered for many years. Thus the rewards of the program are not likely to become apparent until ten or more years have elapsed—and certainly not within a time span of three years or so. However, it would not necessarily be accurate to say that such a program yields no return for the company. The program can be expected to yield some value for the company over the long term.

If returns are evaluated by their positioning on the financial vs. non-financial axis, they can be divided into financial and non-financial contributions. The concept of non-financial contributions is acceptable in philanthropic activities, as the benefits of such activities are not always expressed in terms of monetary values. Accordingly, while non-financial value can be regarded as one of the products of philanthropic activity, it differs from business activity in that it does not promise to generate a financial contribution in the form of a certain amount of profit after a certain number of years.

Examples of non-financial contributions include the enhancement of a company's brand, the avoidance of risks associated with business activities, and the benefits of improved morale among the workforce. Although these effects will not necessarily lead directly to financial contributions, they do have the potential of making an indirect contribution to corporate value.

As indicated above, social investments in the form of corporate giving are not necessarily designed to yield short-term financial returns. Even if the return is measured on a long-term and non-financial basis, philanthropic activity becomes legitimate if the corporate philosophy is supported by consumers and investors. For example, the objective of nurturing a relationship of trust with society in order to avoid business risks that are expected to materialize in ten years can be regarded as valuable.

The important factor is the company's perception of the values it is seeking as a return on its social investments. It is important for a company to reconsider the

philanthropic activities that are appropriate—based on the assumption that returns on their investment should be expected—and to establish its own ideas on what form of returns it expects to gain.

As long as some type of return is expected on social investments, however, such benefits should be maximized within the framework of the corporate philosophy. This means that corporate giving must include a strategy in order to make efficient and effective use of limited resources and to maximize returns.

## II The Shifting Paradigm: Five Problems in Search of a Solution

As the paradigm in corporate philanthropic activities is shifted from charity to social investment, various problems are brought to light. The five described below are perhaps the most important of these issues, and solving them can rapidly yield innovative approaches over the previous avenues of corporate giving.

### 1 Reinforcing Internal Company Communication

One problem is that the importance of philanthropic activities is not clearly communicated to either management or the workforce. There are very few companies that can clearly explain the aims of the millions invested and the returns expected from such investments. Better communication within a company is very important to combat this problem.

If philanthropic activity is regarded as charity work, few people within a company will question its validity, as a tacit understanding has developed within the firm that giving to “good causes” is both accepted and expected. As a result, corporate philanthropy has come to assume a sanctified status that is beyond questioning. If philanthropic activity is redefined as social investment, however, an explanation of its importance and results will be necessary. The damage that can stem from poor communication within the company includes the following:

- (1) Perception gaps between management and others.
- (2) Cooperation from other departments and teamwork between departments fails to materialize or spread.
- (3) Little or no sympathy is generated among the employee.

These problems can cause the department responsible for corporate giving to become isolated from the rest of the company and to be regarded as cost center that swallows up ordinary profits. To overcome this lack of internal communication, it is essential to build a strategic framework that encompasses the company’s philanthropic activities. Specific initiatives could include the following:

- (1) Forming project teams to develop strategies over the short term.
- (2) Creating an environment for interdisciplinary discussions that transcend departmental boundaries.
- (3) Clarifying the entities (such as internal committees) responsible for making decisions concerning philanthropic activities.

In its efforts to develop a strategy over a short timeframe, for example, one major food and pharmaceuticals company assembled a project team and elicited various opinions in considering the directions it should take. In addition to the department responsible for corporate giving, the project team also included staff from the brand-imaging, PR and business planning departments. Importantly, senior managers responsible for decision-making in each of these departments participated in all of these discussions.

This approach proved to be successful in broadening participation in the issues of corporate giving beyond those dealing with philanthropic activities by including other departments and decision-makers as well. This system is an ideal way of putting the company’s philanthropic activities on a strategic footing and offers great potential for realizing reform.

### 2 Reconstructing the Mission Behind Philanthropic Activity

The second problem is that the mission behind corporate giving is often unclear. This lack of clarification is the primary cause of many of the problems affecting the philanthropic activities of Japanese companies.

If corporate giving is regarded simply as charity, there is a high degree of freedom over the content of its mission. It is satisfactory if the mission has some social significance, and no return to the company is expected. In such a case, very few managers or general workers would raise doubts about the legitimacy of the mission behind their company’s philanthropic activities.

If philanthropic activity is seen as a social investment, however, the factors determining the purpose and significance of such giving become more numerous and diverse in line with the company’s culture and mindset. As a result, reflecting each company’s identity in its philanthropic mission becomes increasingly demanding.

When the mission is unclear, its significance is often misunderstood by shareholders, managers and workers, even if it is understood by society at large. From the viewpoint of those directly concerned, the meaning of the activity is still unclear. They also wonder why the resources are spent on activities for which a return is not apparent.

Reconstructing the mission is required for shareholders and workers to clearly understand and sympathize with the goals involved. Philanthropic activities must flexibly adapt to the expectations of the various stakeholders in corporate performance, as well as to changes in the so-

cial environment. The prolonged recession is rapidly bringing the paradigm shift to bear on philanthropic as well as other corporate activities, and companies must prepare to clearly define a mission that matches its efforts with the current situation.

One of the few Japanese companies to have a clear mission for its philanthropic activities is a major retailer that has adopted what can be called a win-win approach. The understood mission is to pursue a mutually beneficial form of corporate giving that profits both the company and society regardless of the firm's business performance.

The company's philanthropic activities are strongly influenced by its chairman's management principles and by its corporate culture, and there is a clear perception throughout the company that it is only natural to pursue activities that ultimately work to the company's own benefit. Accordingly, proposals for philanthropic activities that do not meet these requirements are turned down. Furthermore, the direct targets of philanthropic activities (the stakeholders) are limited to those frequenting the company's stores, and activities are designed to incorporate effective initiatives to fulfill the mission, such as building barrier-free interiors within its stores. Experiments are conducted in pilot stores to check whether such initiatives are effective in boosting sales or in yielding other benefits before they are expanded to all branches nationwide.

This company offers a good example of a firm with a clear mission for its philanthropic activities. This mission is well known within the company and beyond, and specific programs are incorporated within this clearly defined mission.

### 3 Mission Breakdown

The third problem arises when the mission does not offer an effective and efficient strategy to achieve a clear goal. This problem generates considerable waste, as the initiatives are too broad and are not focused on achieving the mission. For example, even if the philanthropic program itself is innovative, no great return can be expected if the program is not linked to the mission.

Charitable works often emphasized initiatives that bring about social reform, and companies also strive to develop more advanced methods for their philanthropic programs. Nevertheless, when these programs are regarded as social investments, an innovative program becomes less important than a program configuration that will fulfill the company's stated philanthropic mission and provide a strategy that will efficiently and effectively realize this mission.

When we examine the consistency of a company's mission statement and the practical initiatives it has adopted, we all too often find that most programs are poorly organized and tend to suffer from the following common syndromes:

- (1) The program is too broad and the initiatives are unfocused.
- (2) The mission itself is well stated, but provides no programs to realize the goals.
- (3) The mission has been retrofitted to fit a current program.

Philanthropic activities differ from other corporate activities in one characteristic, namely, the wide range of stakeholders—of which society in general is the foremost. Taking the viewpoints of these stakeholders into account is important in formulating the mission. This can be achieved by using the balanced scorecard strategy map, which will be introduced later.

Asahi Beer (Asahi Breweries, Ltd.) provides an example of a firm that followed the rebuilding of its philanthropic mission with a mission breakdown, and it is now in the process of making the related reforms. Rather than developing programs that are overly broad, it is focusing on stakeholders and business improvement initiatives to make effective use of limited resources. This approach establishes an extremely clear linkage between the philanthropic programs to be developed and the firm's stated mission. In addition, the company can now provide a clear explanation of the importance of these programs to its managers, workers and shareholders.

In particular, the mission breakdown process can answer the doubts harbored by stakeholders within the company. It can also identify which of the current programs are highly effective and which are less so.

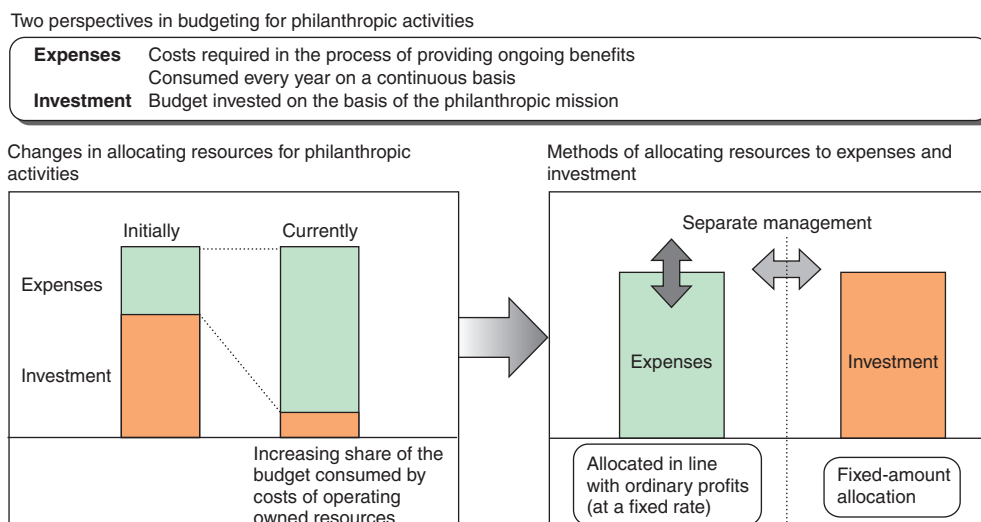
### 4 Optimum Allocation of Management Resources

The fourth problem arises when management resources are not allocated optimally in line with the mission and strategy. Generally, it is rare for one division or department to have sole control over a company's entire budget for philanthropic activities. Instead, the budget requests of each department are simply added up, and little thought is given to the optimal allocation of resources in many cases.

Until now, management resources have not been utilized strategically. When philanthropic activities are identified as social investment, however, consideration must be given to how to allocate scarce management resources effectively to maximize the return. In short, guidelines for the targeting of management resources must be considered (see Figure 1).

The budget for philanthropic activities can be easily understood by separating it into two categories: expenses and investment (although these terms do not follow the strict accounting definitions). Expenses involve the costs required during the process of providing ongoing benefits that are consumed every year. The running costs of facilities owned by the company offer one example. Investment represents the budget committed on the basis of a philanthropic mission. The budgets for newly developed voluntary programs and continuing traditional

**Figure 1. Resource Allocation in Philanthropic Activities**



Source: Nomura Research Institute.

programs that are consistent with the mission fall into the investment category.

When we analyze the resource allocation for philanthropic activities in terms of expenses and investment, we find that investment generally accounts for a high proportion of the resources devoted to the initial phases of philanthropic activities. However, the proportion consumed by expenses such as the operation of facilities gradually expands. In other words, even initiatives that should be given funding priority must scrape for shares of whatever budgetary amounts are left after the majority is consumed by expenses. If high-priority initiatives are pushed back and old programs are operated within the limited leeway available, the realization of innovative philanthropy is impossible.

As the effects of philanthropic activities differ between investment and expenses, resource allocations should be determined according to different rules. Expenses should be covered within a set proportion of ordinary profits (i.e., the budget can rise and fall in parallel with ordinary profits). Because investment is intended to fulfill the mission, however, it should therefore receive a fixed amount of funding that does not change with variations in ordinary profits.

Traditionally, the budget for philanthropic activities was viewed as a single entity and determined as either a fixed sum or a fixed proportion of ordinary profits. But by managing the budget in separate sections according to two inherently different approaches, it becomes possible to move from the current additive system of budget allocation to mission-based resource allocation.

This approach to the allocation of management resources can be implemented with respect to invested assets, as there are cases in which the consideration of resource allocation in line with the mission and strategy is impeded by existing assets—thereby leaving little leeway for flexibility. For example, one company found that it had to spend most of its philanthropic activity budget

on running currently owned assets, such as museums and concert halls, thereby leaving the firm no scope for developing new programs.

Companies that find themselves bound to existing assets must restructure those assets in line with their new mission and recoup management assets in order to optimize their allocation of resources. In one case, a publishing company decided to sell its concert hall to a university to recoup management resources. The noteworthy aspects of this sale included the following:

- (1) The concept of the hall was carried on after its sale.
- (2) The university bought other land and buildings around the concert hall to develop a new center for the university.
- (3) The budget for corporate giving that had previously been restricted to fixed assets was freed up for reallocation to activities that better suited the company's mission. Rather than simply selling the facility, however, the company required that the buyer continue the operation of concert hall—which had gained a worldwide reputation—with the same dedication and spirit. Because the university readily acceded to this request, the form of the sale minimized the social loss.

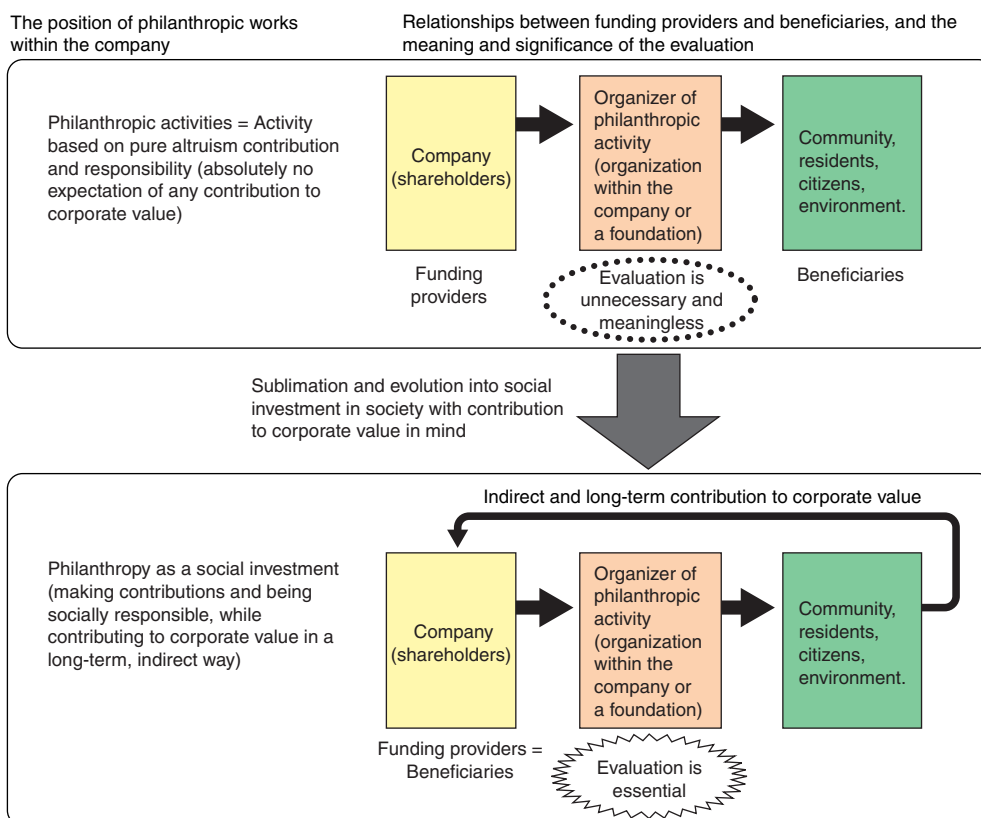
As this case illustrates, the sale of any assets related to philanthropic activities should be handled in a socially responsible manner, rather than just selling off an asset. This approach also minimizes public criticism.

## 5 Building Systems to Evaluate the Results of Strategies and Programs

The last problem is the lack of adequate systems to evaluate the results of philanthropic activities. There are no systems to ascertain what current programs and strategies are yielding, and whether or not they are operating efficiently and effectively.

Generally, the beneficiaries evaluate the suppliers. If a philanthropic activity is undertaken as charity and the

**Figure 2. Reasons for Requiring Evaluations of Philanthropic Activities**



Source: Nomura Research Institute.

company does not expect any return, the company is not the beneficiary. Therefore, an evaluation is not necessarily required. However, once philanthropic activities are repositioned as social investments, the company obviously expects some return. Accordingly, the company providing the funding also becomes a beneficiary—thereby necessitating an evaluation (see Figure 2).

By shifting the paradigm from charity to social investment, the company gains a yardstick to evaluate its philanthropic efforts. The following two levels are essential in building a system for evaluation. The first is a method to evaluate the degree to which the stated strategy is fulfilled within a framework that is aimed at maximizing the return on philanthropic investment through a strategy that is built on the investment concept. Once such a strategy is incorporated into philanthropy, it becomes necessary to evaluate the results and improve initiatives to adapt to changes in the social environment. The second level is a method to evaluate individual programs funded by corporate giving. Each program has its own objective, and achieving this objective effectively and efficiently is very important in carrying out the strategy.

A company that has developed methods for evaluating both the fruits of its strategy and specific programs can develop program formats that mesh with the stated strategy. This makes it possible to implement each program on an effective and efficient basis, and to clearly explain these matters to the various stakeholders. Evaluation methods have to be put in place that help people under-

stand that investment in society yields returns for the company.

### III Solutions to Emerging Problems

This section introduces the mission study framework and the balanced scorecard as solutions to the five problems. The mission study framework supports the reconstruction of missions, and the balanced scorecard solves problems in internal communication about philanthropic activities and in mission breakdown and analysis.

#### 1 Mission Reconstruction Using the Mission Study Framework

Let us begin by discussing the mission study framework as the first solution. Very few companies in Japan to date have reconstructed their philanthropic activity missions from an investment perspective. Even if a company’s mission may appear well constructed at first glance, it is not clear whether the mission is the right one for the company.

As the mission should be the foundation on which all philanthropic activities are based, its construction must follow from a thorough discussion within the company. NRI offers a support process for the reconstruction of missions to eliminate bottlenecks caused by lack of clarity and to establish sound missions that are well suited to the company concerned. This process divides the philan-

thropic mission into a number of elements that can be debated and recombined as appropriate.

The study framework comprises a four-by-four matrix (see Figure 3). A mission built within this framework should reflect the four perspectives and four elements described below.

First, the four perspectives are:

- (1) Management intentions
- (2) Corporate culture
- (3) Industry characteristics (including policies and regulations)
- (4) Social norms

These perspectives enable a company to look at its range of philanthropic activities and examine its mission objectives from a number of internal and external aspects. The content and importance of these perspectives vary from company to company. One company, for instance, may find that management intentions are an important factor, whereas industry characteristics are not highly influential. Another might consider industry characteristics, but not the influence of corporate culture.

Next, the four elements are what (i.e., what value should be provided), to whom, why and how (i.e., how that value should be delivered). These elements have different contents with respect to each of the four perspectives. From the management intentions viewpoint, for example, answers to “Why?” include increasing the company’s value

and establishing its ethical behavior. Taken from the industry characteristics viewpoint, the answers to the same question might include averting business risks.

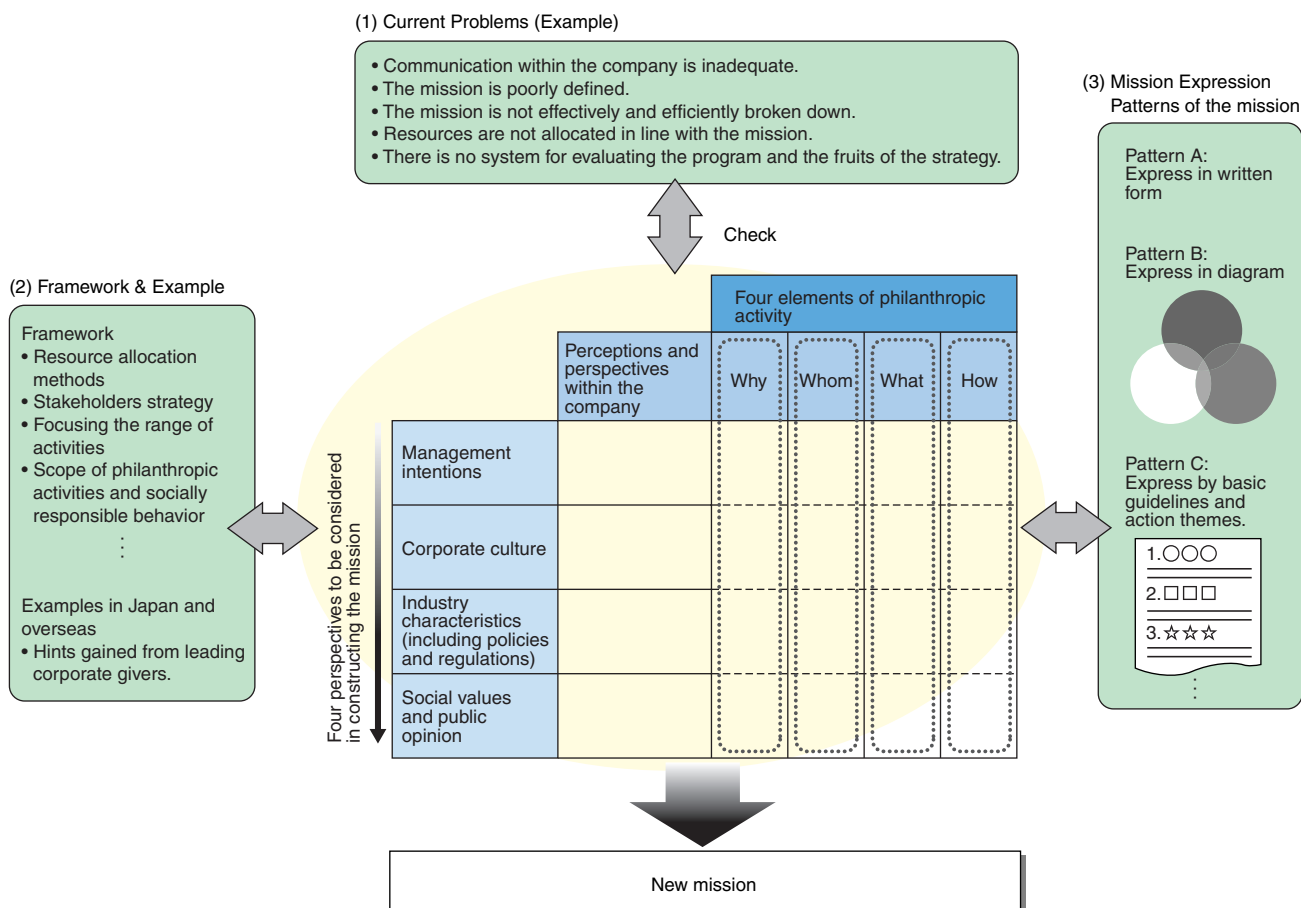
The first step is to clarify the current perceptions of the four perspectives for each company. Then the possibilities for the four questions are examined from each perspective. Once the discussion has explored each area adequately, it proceeds to examine the four questions individually. The philanthropic mission is constructed by using this framework and via various other support mechanisms intended to draw on the company’s individual culture. The process also refers to model examples from Japan and abroad, and considers various patterns for expressing the mission.

A mission constructed in this way does not have to reflect every element from the four perspectives. However, once a company has gone through a thorough internal debate over this four-by-four matrix, it can achieve logical consistency in the content of its mission.

## 2 Building Strategies and Evaluation Systems by Using the Balanced Scorecard

We will now examine the process of building strategies and evaluation systems by using the balanced scorecard. This methodology, which provides effective support in deriving organizational performance evaluation measures,

Figure 3. Mission Study Framework



Source: Nomura Research Institute.

was developed by Professor Robert Kaplan of Harvard University in the early 1990s. It has won widespread acceptance in the US manufacturing and service sectors since then, and has been adopted among leading Japanese companies in recent years to evaluate company-wide business performance and management systems.

The balanced scorecard method constructs a multi-faceted balance by reorganizing management control aspects that can otherwise easily fall into trade-off relationships. The aspects considered are finances, customers, internal business processes, and study and growth. A further aim is to bring policies that are important in the short and medium terms into the scope of evaluation and management (see Figure 4).

The balanced scorecard has come to prominence in evaluating the business performance of commercial enterprises through the original concept that non-financial targets can also be linked to the financial target. NRI has taken a reverse approach in looking to the balanced scorecard method as a suitable means of evaluating the performance of non-profit organizations. This is appropriate because the demands of society in recent years have changed to evaluate non-profit organizations by focusing on financial targets as well as non-financial targets.

Professor Kaplan has also announced cases in which his method was applied to non-profit organizations. It is very important for non-profit organizations to undergo multi-faceted evaluations that consider the financial as well as non-financial aspects, and this method is suited to that kind of evaluation. The balanced scorecard for non-profit organizations is unique in that financial performance is not necessarily the ultimate indicator. In many

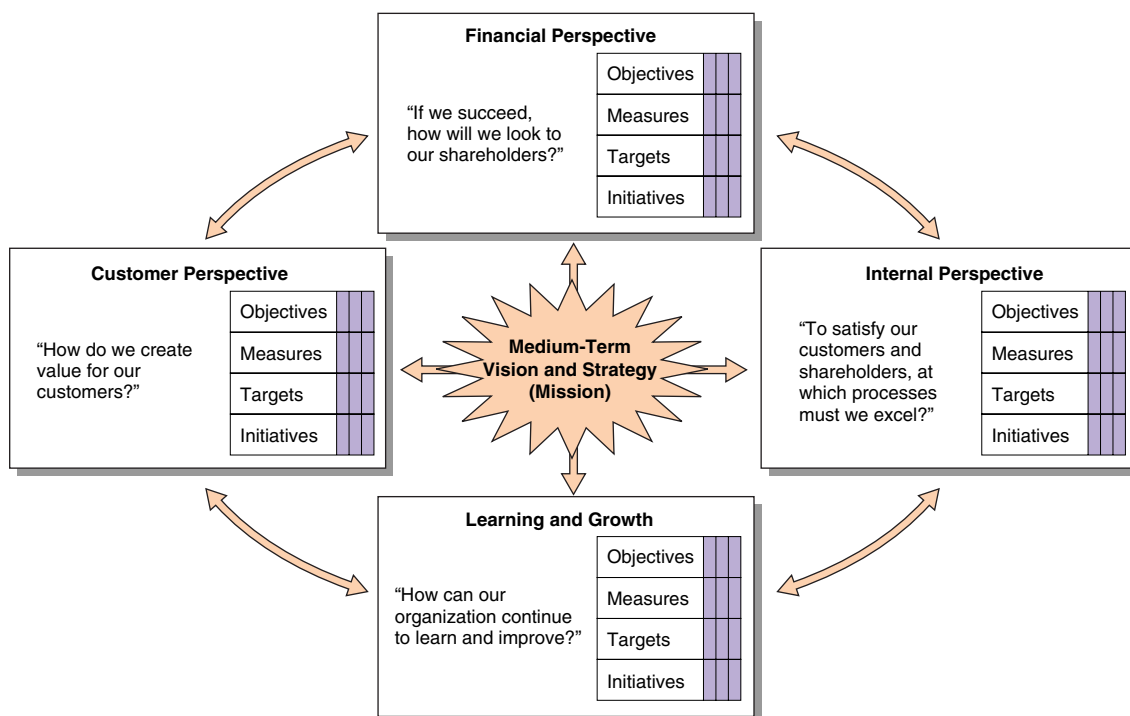
cases mission accomplishment is set as the target—replacing financial performance as the goal. Therefore, the financial perspective is regarded as a restricting factor in the process of achieving the mission (see Figure 5).

NRI has also taken up the balanced scorecard method as a suitable tool for evaluating the strategy and program of philanthropic activities within a company’s non-profit activity. The evaluation of philanthropic activities had previously used comprehensive measures based on non-financial measures such as the numbers of participants in voluntary programs, participant satisfaction as gauged through questionnaires, the number of mass media reports and self-evaluations by staff members. However, as such measures place excessive emphasis on the non-financial perspective, they did not constitute an index system that could accurately evaluate the efficacy and efficiency of a program from a financial perspective.

Using the balanced scorecard, it becomes possible to set financial and non-financial targets in a well balanced way. In many cases the evaluation methods used by companies do not clearly identify cause and effect relationships, but the application of the balanced scorecard method to the evaluation of philanthropic activities makes it possible to set strategic targets that will most effectively and efficiently fulfill the mission.

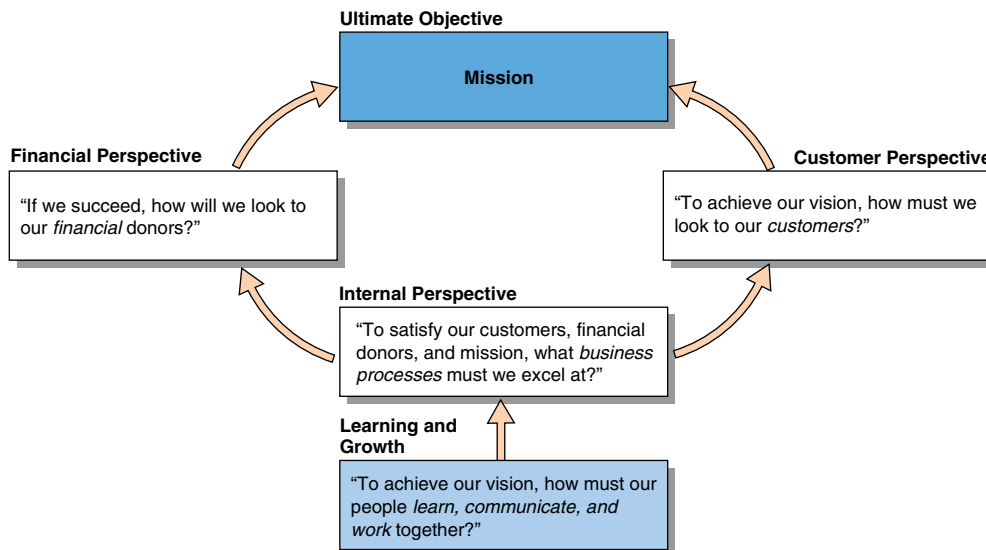
The advantage of the balanced scorecard is the process by which it focuses the strategy necessary for mission accomplishment by considering the cause and effect relationship. By working out the necessary measures to accomplish strategic objectives, we can intensively allocate resources to programs with a causal relationship. As this method can be applied separately to each individual

Figure 4. Balanced Scorecard Framework



Source: Prepared by NRI from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," *Harvard Business Review*, January/February 1996.

Figure 5. Conceptual Diagram of a Balanced Scorecard for Non-Profit Departments



Source: Developed by NRI from Robert S. Kaplan and David P. Norton, *The Strategy Focused Organization*, Harvard Business School Press, 2001.

program, it makes it possible to set strategic objectives and build evaluation systems that are highly practical at both the strategic and program level and can solve multiple problems.

## IV Reforming Philanthropic Activities: The Asahi Beer Example

Let us now look at the case of Asahi Beer (Asahi Breweries, Ltd.), which offers an example of a company that has taken a major step forward in reforming its philanthropic activities.

### 1 Background to Asahi's Efforts

In August 2001, Asahi Beer revised its concept of philanthropic activities and worked with NRI to jointly develop an evaluation system for its full range of corporate giving. The evaluation system applied the balanced scorecard method as screened by two non-profit organizations (NPOs): The Japan NPO Center and the Japan Philanthropic Association. This made it possible to bring external advice and guidance into the creation and operation of the evaluation system. While Asahi had previously been active in a wide range of philanthropic fields, including disaster relief, welfare, the environment and culture, it was searching for ways to link these efforts more effectively to corporate value management with a stronger social nature.

### 2 Perception of Two Subjects

Asahi was aware of two subjects. One was to reconfirm the mission behind its current philanthropic activities, which inevitably required reconfirming the

purpose and meaning of its corporate giving. The second was to build an evaluation system for philanthropic activities by reforming the current system, which made it difficult to see the results of the company's corporate giving. Even when the company tried to ascertain the results, the evaluation system they then used relied on fragmentary measures only, such as the number of participants in voluntary programs, questionnaires completed by visitors, and the frequency of mass media reports. Asahi was seeking to build an evaluation system that would express the results of their work in a more visible form, which would lead to a reform of their philanthropy.

### 3 Reform Process

The process of the reform first called on us to analyze all philanthropic activities currently pursued by Asahi Beer. Starting by ascertaining the issues surrounding the company's philanthropic activities, we went on to discuss the direction of future innovation and reform from various directions and reconfirmed the direction of the company's corporate giving.

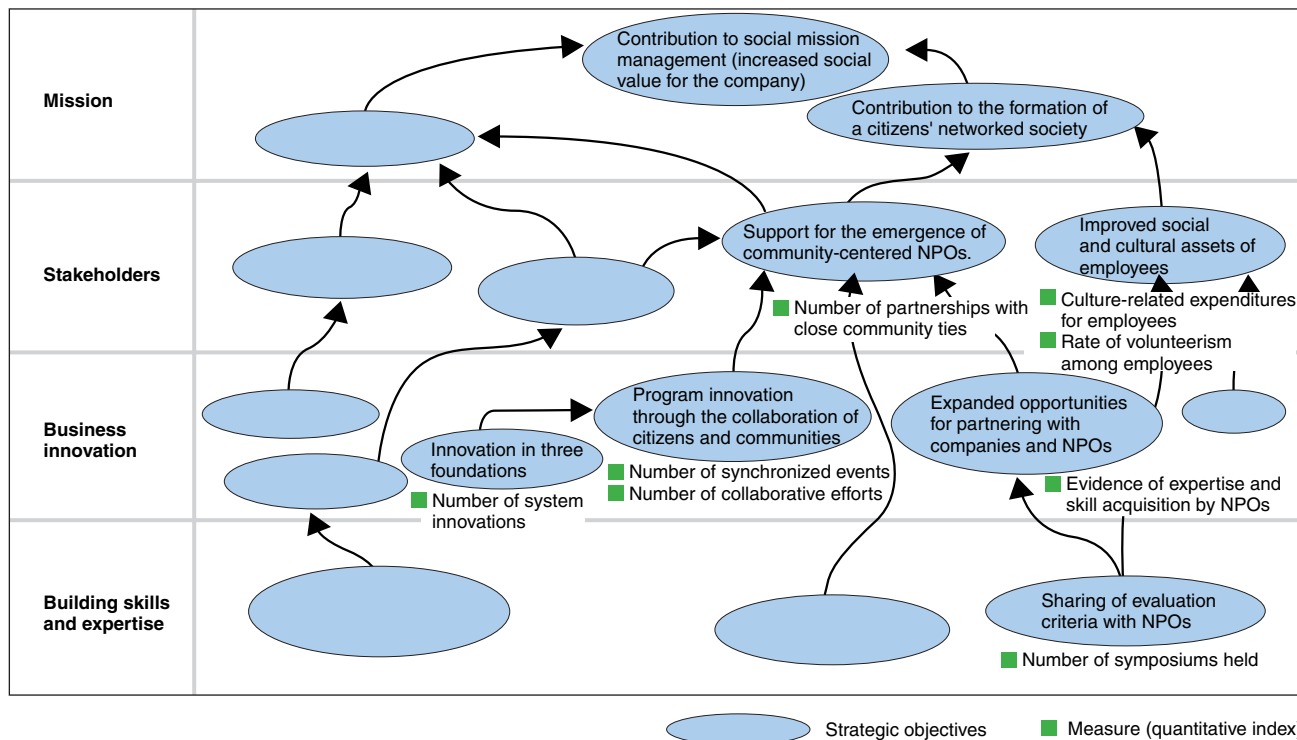
Next, we used the balanced scorecard to examine the strategic objectives that should be adopted to proceed in that direction, and went on to break down the mission and to plan a strategy.

The third step was to build an evaluation system by setting quantitative measures to determine the degree of mission accomplishment (see Figure 6).

### 4 Fruits of the Reform Effort and Tasks for the Future

Asahi Beer's example is an advanced case in which a company's philanthropic activity strategy and mission were debated from an internal company perspective. The

Figure 6. Balanced Scorecard Strategy Map for Asahi Beer's Environmental and Philanthropic Activity (Abridged)



Note: NPO = non-profit organization.  
 Source: Prepared from Asahi Beer press releases.

company was able to reconfirm the need for a strategy in its philanthropic activities to reform its previous work into something with greater value for society and to increase the return to the company itself.

The balanced scorecard strategy map made clear the initiatives that needed to be pursued in order to accomplish the mission, and at the same time defined the criteria used to measure how well they were carried out. This made it possible to set specific objectives for the implementation of the initiatives. While the benefits yielded by the company's efforts remained hard to grasp, Asahi was able to clearly present the necessity of each initiative in accomplishing the mission to those inside and outside the company.

In this case, the innovative use of the balanced scorecard together with the evaluation system constructed by Asahi was notable. Moreover, the process of constructing the new evaluation system had a significant effect in improving communication between the department responsible for philanthropic activity, management and other departments.

Specific benefits included the following:

- (1) A cooperative atmosphere was created within the company to implement activities under the reform.
- (2) The staff involved in carrying out the initiatives can see that each is part of a consistent mission shared by the whole company.
- (3) The method satisfied the desire to know the results by the people doing the actual work.

This provides a good example of a company clearing the bottlenecks obstructing the reform of its philanthropic activities and taking the first step towards fulfilling its strategy. The remaining issue is to consider the extent of the financial perspective in philanthropic activities. Further debate is required to judge whether or not society and other stakeholders demand that the company be aware of financial return when building a strategy. Thus far, the department responsible for philanthropic activities has been functioning as a non-profit department, and careful consideration is essential in making the decision to work with financial perspectives since it may lead to questions about the existence of the department itself.

## V Seeking Reform in Corporate Philanthropy

The paradigm shift in philanthropic activity from charity to social investment is gradually taking place. Yet few companies have responded to this shift by making actual changes, and most have not even launched the effort.

If the money going to philanthropic activities actually belongs to shareholders, the current form of corporate giving must be dramatically reformed so that it provides some linkage to corporate value. The reform methods outlined in this paper can be used to make companies into better philanthropists. Such reforms, of course, will be important for society as well as for the companies implementing them. NRI's Philanthropy Diagnostic Program can offer companies strong support in these efforts

by providing an objective diagnosis of the problems in their philanthropic activities.

I hope that this paper breathes new life into corporate philanthropy, and spurs major reform for the realization of a more prosperous society.

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- 1 Questionnaires were sent to 1,048 companies that were members of Keidanren and the One-Percent Club. The survey was carried out from July through September of 2000 and received 324 responses.
  - 2 The value of expenditures on philanthropic activities is the total of the following: (1) donations (donations made for the purpose of social contributions, regardless of

whether or not they are tax deductible); and (2) expenditures on independent programs made for the purpose of social contributions (includes expenses for activities the company regards as philanthropic, even if they are deemed as advertising or PR expenses under tax law).

- 3 This paper grew out of extensive discussions with Taneo Kato, deputy head of Asahi Beer's Environment and Culture Promotion Department, to whom the author is most grateful.

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