



Written by:

**FSG**  SOCIAL IMPACT ADVISORS

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# Best in Class

## How Top Corporations Can Help Transform Public Education



## **A Message from Steve Howe, Americas Area Managing Partner**

For well over a decade, we have been hearing about the impending crisis in United States competitiveness due to an under-prepared workforce. Published studies continue to report on the failure of the education system in the U.S. to produce high-quality graduates who have the skills and knowledge to succeed in the global marketplace. With mounting evidence that the system is failing students, particularly minority and disadvantaged young people, corporate interventions in the education system may hold an important key to making a significant improvement.

We believe this independent white paper, written and researched by FSG Social Impact Advisors, provides a useful overview of the issues facing the U.S. K-12 education system and the types of strategic corporate interventions that are most successful at making a positive impact. At Ernst & Young, our commitment to social responsibility is based on an understanding that what we do matters. Our business—providing auditing, accounting, tax, and transaction services for the benefit of investors, capital markets and clients—reflects an underlying commitment to strengthening the people, companies and communities of tomorrow.

This white paper includes practical recommendations for how companies can leverage the successes of businesses that already are making an impact on the U.S. education landscape. We plan to study these insights carefully to further Ernst & Young's strategic focus on education and mentoring. We'll continue our history of supporting higher education and volunteering at local schools—while strengthening our national commitment to improve K-12 education in the United States by applying our people's workplace skills and expertise. Our intent is to make a sustainable, systemic contribution to improving U.S. competitiveness.

As an organization that values and embraces frank dialogue on critical business issues, Ernst & Young is proud to share this research.

A handwritten signature in black ink that reads "Stephen R. Howe Jr." in a cursive script.

Steve Howe

Americas Area Managing Partner  
Ernst & Young LLP

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## How Top Corporations Can Help Transform Public Education

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Comissioned by Ernst & Young LLP

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BellSouth Foundation  
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IBM  
Intel  
Jefferson County, KY, School District  
Junior Achievement Worldwide  
Microsoft  
National Alliance for Public Charter Schools  
National College Access Network  
New Teacher Project  
New York Public Schools  
State Farm Insurance  
Teach for America  
Texas Instruments

## The Corporation Comes to the Classroom

Imagine 100 entering freshmen in the typical public high school in a large U.S. city. Of those 100, approximately 70 will still be in school on graduation day, 40 will enter some form of college or university, and only 18 will have earned a bachelor's degree four years after high school.

By 2008, jobs requiring science, technology, engineering, and math training will increase four times faster than overall job growth, yet, among developed countries, the U.S. ranks 24th out of 29 in math scores. A shockingly high number of students — nearly 30 percent — do not finish high school, and the number is much higher among low-income and minority students. Nearly half of all teachers leave the field within their first five years. Meanwhile, superintendents of urban school districts stay in their jobs only three years on average. If the U.S. education system were a company, we might politely call it a “turnaround situation.”

Sobering, yes, and it is no surprise that the U.S. education system needs help in its challenge to prepare the next generation of globally competitive U.S. workers.<sup>1</sup> Improving the U.S. educational system will require new ideas, more effective use of resources, and better implementation of strategies. Help has come from a variety of sources: some leading corporations, for example, have decades of experience when it comes to addressing the most intractable problems in education. These corporations recognize that to remain competitive in today's global economy, schools must produce graduates

who are not only competent in math, science, and reading, but who also possess thinking skills, communication abilities, and a global mindset.

The issues our schools face are so urgent that more companies must do *more*. With their performance records and expertise, businesses are full of assets that our teachers, schools, and districts often lack. Every day, business leaders manage complex departments and systems, leverage finite resources, lobby policymakers, and lead change efforts. Just as they tackle underperforming business units, so too can corporations bring their considerable skills to bear on improving the United States' underperforming educational system.

Is there a “best” way to channel this critical corporate effort? To answer this question, Ernst & Young retained FSG Social Impact Advisors to explore the current landscape of corporate philanthropy in education and to help companies find an appropriate place to begin or expand their efforts.<sup>2</sup> The research is based on interviews with over two dozen corporate philanthropy professionals and education experts, as well as an extensive analysis of the existing literature on education reform. Executives from leading companies have shared valuable lessons that are relevant to companies that want to be more involved in education improvement and those that are just starting out. This white paper also provides practical recommendations for how corporations can repeat the successes and avoid the pitfalls of past corporate initiatives in education. We also suggest how corporations can move beyond traditional philanthropy to achieve more lasting changes in education.

1 We acknowledge that the U.S. K-12 education system alone does not hold the key to improving US global competitiveness. Other aspects of our educational infrastructure—our approaches to vocational education, to adult learning, and to re-skilling workers, to name just a few—also require, and are worthy of, significant rethinking and corporate investment. Reform of the K-12 education system is a sufficiently daunting challenge, and a sufficiently critical piece of the puzzle to merit distinctive focus. That focus is the subject of this research-based white paper.

2 Corporate philanthropy is defined as the range of activities companies employ (e.g., grantmaking, employee volunteering, technical assistance, convening, research) to engage in select social and community issues.

## The Right Stuff

As with any good business plan, a clear strategy helps to navigate a complicated landscape as well as to pave a path to the future. We have organized the opportunities for reform into three major focus areas based on the range of ways companies have contributed in the past:

- › teaching and learning
- › human capital
- › systems and structures

While the areas overlap, viewing the categories separately can help identify current trends and highlight key players actively engaged in different types of reform. These three areas offer a range of intervention points to effect change in education, as summarized in Figure 1 below.

### Teaching and Learning

This area focuses on the process through which students develop content knowledge and critical

thinking skills. It includes actions that schools, districts, states and out-of-school programs take to influence student learning, achievement, and opportunity. Research indicates that the instructional strategies teachers use inside the classroom to influence student learning and the tools at their disposal are the most important school-based factors that influence the learning process. This has been the focus of many corporate interventions in education to date. This category includes several intervention points, from academic standards to curriculum to assessment devices.

Several companies have designed education initiatives focused on influencing behavior inside the classroom. Texas Instruments (TI), for example, is working to increase academic expectations in Dallas high schools by offering modest financial incentives to students and teachers whose students take Advanced Placement courses and pass the exams. Citigroup, in partnership with the national nonprofit Junior Achievement, has developed a middle-school financial

**Figure 1: Public Education Focus Areas and Leverage Points**

Teaching and Learning		Human Capital	
Inside the Classroom	Outside the Classroom	Teachers	Organizational Leadership
<ul style="list-style-type: none"> <li>› Curriculum</li> <li>› Testing</li> <li>› Student achievement</li> <li>› Teaching approaches</li> </ul>	<ul style="list-style-type: none"> <li>› After- and before-school programs</li> <li>› Access to and support for higher education and work</li> </ul>	<ul style="list-style-type: none"> <li>› Recruitment</li> <li>› Quality development</li> <li>› Retention</li> </ul>	<ul style="list-style-type: none"> <li>› Principal/superintendent/administrator/school board quality and development</li> <li>› Nonprofit leadership effectiveness</li> </ul>

  

Systems and Structures			
Policy	Community Engagement	Support Services	Organizational Units
<ul style="list-style-type: none"> <li>› Federal</li> <li>› State</li> <li>› Local</li> </ul>	<ul style="list-style-type: none"> <li>› Parent/guardian/other adult involvement</li> <li>› Business initiatives</li> </ul>	<ul style="list-style-type: none"> <li>› Data/quality assurance/accountability</li> <li>› Financial management and oversight</li> <li>› Other services</li> </ul>	<ul style="list-style-type: none"> <li>› Charter schools</li> <li>› District structures</li> <li>› Nonprofits</li> </ul>

education curriculum that improves literacy in personal finance and investing.

With students in school for only about 20 percent of their waking hours, other corporations have opted to focus on out-of-school time as an opportunity for improving student achievement. Intel, for example, has formed Computer Clubhouses in urban communities around the country to provide a safe place for students to develop technology skills and receive mentoring in academics, college applications, and career development.

### Human Capital

As Wendy Kopp, founder and president of Teach for America, puts it, “People are everything in education, just as in the corporate world.” The business world knows all too well that attracting and retaining high-quality people is a major issue. In education, math and science teachers are especially needed in high-poverty areas, with an astounding 70% of middle school mathematics classes taught by teachers who have not majored or minored in their subject.

Most corporations involved in education reform have focused their energy on improving the quality of human capital through professional development for classroom instructors. For example, ExxonMobil has recently announced a \$125 million National Math and Science Initiative that aims to scale-up an innovative teacher recruitment and training program targeting math and science teachers.

While teacher talent is key, school and district leadership are also critical success factors. In particular, the quality of principal leadership has been cited by education experts as second only to classroom instruction in positively influencing student achievement. The nonprofit organization New Leaders for New Schools has attracted considerable support from corporations such as Boeing, FedEx and Wachovia for its innovative approach to recruiting,

training and supporting a corps of school leaders in some of the nation’s toughest urban districts.

### Systems and Structures

The systems and structures of education have a direct influence on the quality of teaching and learning, as well as on the success of efforts to create and sustain change. Corporate initiatives in this area have focused on policy, community engagement, support services, and organizational units.

Only a handful of corporations have ventured into the potentially contentious but powerful area of policy reform. The Business Roundtable, an association of CEOs of leading corporations, has advocated for and supported the implementation of the federal No Child Left Behind Act (NCLB) that links funding to educational outcomes. Achieve, a nonpartisan nonprofit funded in part by several leading corporations including Boeing, GE, IBM, and Intel, advocates for states to raise academic standards and has had substantial successes in aligning K-12 curriculum, standards, assessments and accountability policies.

GE’s College Bound program in Jefferson County, Kentucky demonstrates elements of both community engagement and support services. GE has convened multiple local stakeholders (e.g., teachers, administrators, community leaders, parents, and students) with the aim of reducing the achievement gap and increasing the number of low-income students attending college. Further, GE managers from a range of functional areas have assisted the district with improving its support services in the areas of human resources, information technology, leadership, and security issues.

Charter schools and educational nonprofits also offer opportunities for corporate involvement. A handful of companies are providing pro-bono strategic planning services for the growing number of charter management organizations (CMOs) that run networks of charter schools. For example, Gap

and Goldman Sachs have provided considerable support to the Knowledge is Power Program (KIPP), a nonprofit network of charter schools. Additionally, some businesses have helped start individual charter schools, such as the Perspectives charter school in Chicago, sponsored by Ernst & Young, in conjunction with law firm Mayer, Brown, Rowe and Maw.

## Strategic Intent

While it is important to consider *where* corporations can focus their resources within the education system, it is also important to consider *how* corporations have been effective at achieving change within education. Leading companies have found ways to be strategic in their education reform efforts. Two major strategies for achieving greater impact include: leveraging corporate assets and expertise; and establishing focused goals and measuring results.

A few companies are ahead of the curve in these areas, including GE's district-level school reform, IBM with its Reinventing Education program, State Farm's education advocacy, Bell South's e-learning initiative, and Intel's Teach for the Future program. Through thoughtful assessments of their programs, they have been refining and overhauling focus areas and approaches as they leverage their corporate assets and manage programs toward focused goals and measuring results. The energy, ideas, and execution of these corporate programs represent an example for all companies to follow.

## Leveraging Assets and Expertise

Several leading corporations are tapping into their corporate assets and expertise to add value to their reform work. From scientific and technical knowledge to negotiation and change management skills, employees of leading corporations possess a wealth of valuable abilities that can help to improve the education system in ways that check-writing alone does not. Companies engaging more strategically in education philanthropy are also using their organizational convening power, public relations and advocacy channels to effect educational change.

As mentioned above, GE's school district support services in Jefferson County KY tap the management and technical expertise of GE's employees to complement the grant funding provided to the school district. IBM's Reinventing Education program engages with several school districts well beyond just check writing – IBM gives teachers better technology tools to manage student performance data and trains teachers on how to use the data to improve instruction. State Farm's education program is unusual because CEO Ed Rust exerts his leadership influence to advocate for education policy reform – impact that far exceeds any research grant State Farm could give to an advocacy nonprofit.

## Measurement Matters

In addition to leveraging corporate assets and expertise, a strategic corporate initiative establishes specific goals and measures the results. An education initiative with focus improves the program strategy and activities while also facilitating efficient communication of motivations and results. It also helps foster a better understanding of the company's desired outcomes within the education community. Companies that track process indicators as well as educational outcomes, and that have developed evaluation mechanisms to answer more qualitative questions, have found greater success in their education initiatives. As these leading companies systematically ask questions about their work, they learn more about how to effect change in education. They are able to use data to continually improve and refine their strategies based on learning from evaluation.

While having focused goals and measuring results is critical to achieving success, there are only a handful of companies that are doing this well. BellSouth has developed specific goals around its e-learning program that relate to its funding, advocacy work and volunteerism. It tracks quarterly performance on a dashboard that summarizes progress to date and recommends future actions. Intel has established clear goals for its Teach for the Future professional development program and tracks intermediate indicators to measure performance toward achieving its goals.

## Today's Lesson Plan: Building a Successful Education Initiative

Our research surfaced a broad range of ideas about how corporations can engage most effectively in educational improvement. Interviewees were asked to share their own “lessons learned,” and, while the perspectives differed, a common set of themes emerged. These themes constitute a set of best practices that are transferable across most businesses that want to develop initiatives to improve public education.

The themes can be summarized into six recommendations that seek to inform and guide corporations and key stakeholders as they design, structure, and implement an effective corporate philanthropy initiative in education.

### 1 Start at the top.

*CEO-level commitment can exert significant influence on education reform.* A CEO’s decision to adopt the cause of education sends a strong message about its importance to employees and local education stakeholders.

### 2 Lead with your strengths.

*Education professionals want help with something at which companies excel.* Experience suggests that companies which offer initiatives most closely aligned with their own strengths are most effective. It makes sense that a company offer solutions within its scope. Developing a solid track record over time, however, has given several companies the confidence to broaden their approaches to areas that are less obviously within their main corporate competence.

### 3 Scale appropriately.

*Avoid trying to have large-scale impact on a school system by applying a small-scale commitment of time and money.* With total U.S. government spending on K-12 education at approximately \$500 billion and the total private philanthropic spending of corporations and foundations reaching approximately \$3.6 billion, the sheer size of public funding dwarfs companies’ charitable investments. A small investment of funding and time will need to be modestly scoped and tightly managed.

### 4 Adapt, don’t prescribe.

*Create programs around local classroom, school, and district needs — don’t offer prepackaged solutions.* The most effective programs include collaboration with partners and experts around existing entry points. Corporations should resist the urge to create their own programs from scratch in order to get big headlines, because they will miss the opportunity to leverage the existing infrastructure of effective organizations.

### 5 Be in it for the long haul.

*Education improvement requires a long-term commitment — quick fixes and shortcuts are not appropriate.* Improving educational outcomes is not a short-term intervention. Many companies have found that three-year time horizons should be the starting point for grantmaking, and that they need to remain patient to see demonstrated results.

### 6 Measure and manage.

*Measuring success will ensure a greater likelihood of improved educational outcomes.* Setting measurable, achievable goals for educational initiatives is a critical success factor for a program that is sustainable and delivers results. A key strategy is to establish the objectives in advance of the activities and provide educational partners with the resources to evaluate progress against goals.



## Today's Lesson Plan: Creating Systemic Change

To successfully implement effective corporate philanthropy initiatives in education, corporations must move beyond traditional approaches and adopt more collaborative and systemic ways of thinking. The following ideas, while not for all corporations, may be of use to those who seek greater change in education.

### Adopt more systemic thinking

*Corporations can serve as better agents of change by adopting systemic problem-solving approaches to the persistent, chronic challenges facing the U.S. education system today.* The institutions, policies and conditions that affect how schools educate children matter more overall than do individual programs or schools. We see only a handful of corporations engaging in systemic methods to education reform, and believe there is a great need for widespread involvement in this type of corporate philanthropy.

- › *Lobby federal and state policy makers:* Corporate lobbying power is a largely untapped resource in the philanthropy world. Lobbyists can advocate not only for a better regulatory environment for their companies, but also for improved policies and funding for a range of education priorities.
- › *Convene stakeholders and communities:* Engaging nonprofits, corporations, schools, and families in a coordinated way around education reform goals is complicated. Schools and nonprofits are often ill-equipped in terms of financial and human resources to play this crucial convening role. However, many corporations have expertise in project management, communication campaigns, and convening that would bring unique value to a community-focused effort.
- › *Mentor urban school district leaders:* With urban school districts challenged to meet the demands of running their “businesses,” corporations can apply a range of expertise to assist school district leaders with improving their day-to-day operations. Corporate mentoring activities could involve technical assistance and executive coaching on a range of business operations.

### Replicate and scale effective initiatives

*Companies must focus less on developing new one-off initiatives for which they can get credit and more on scaling the most effective programs that already exist.* This could include:

- › scaling a corporation’s own effective solution to different geographies;
- › helping effective education nonprofits increase their geographic presence; and
- › replicating and scaling another funder’s solution.

### Take collective action

*Depending on their geographic presence and internal education-related competencies, corporations should seek collaborative opportunities for change at the district, the state, and the federal level.* Effective cooperation among corporations, and between corporations and other private educational funders, would leverage a much larger pool of resources and expertise to address these issues. Existing corporate member organizations such as the Business Roundtable enable corporations to speak with a common voice on selected issues; more of this type of collaboration is necessary.

## Great Expectations: The Challenge for Corporations

The United States education system was designed when the world was very different. For most of the 20<sup>th</sup> century, the United States could claim the most educated workforce in the world, but today that is no longer the case. Thirty years ago, as U.S. corporations benefited from a pool of highly-educated workers, about one-third of the world's college-educated population hailed from the United States. Today, that proportion has fallen to 14 percent and continues to fall as countries such as China and India increase their relative supply of educated workers willing to work for lower wages. While the world has changed significantly, our education system has changed all too little. A handful of businesses have already taken a proactive and cooperative approach to education reform, but more need to join in these efforts.

The notion of “raising expectations” has become a catch phrase among education leaders since the passage of the federal No Child Left Behind Act (NCLB) and other recent reform initiatives. Government has asked our students, teachers and administrators to have higher expectations for their own performance. Businesses are now adopting this clarion call as well. However, decades of failed reform efforts have shown that raising expectations of those within education isn't enough. Students, teachers and administrators want to improve and are often willing to undergo major change to do so. But they need outside support and resources to successfully implement new approaches.

As top companies call for higher performance in our schools to prepare students for the future workforce, corporations need to raise expectations of their *own* role in helping to transform the system. The actions we suggest in this paper are, we hope, a start to companies re-assessing their shared ownership in helping to improve U.S. workforce competitiveness by transforming education.



## About Ernst & Young

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## About FSG Social Impact Advisors

FSG Social Impact Advisors is a 501(c)(3) nonprofit social enterprise that works with foundations, corporations, governments, and nonprofits to accelerate social progress by advancing the practice of philanthropy and corporate social responsibility. FSG was founded in 1999 by Professor Michael E. Porter and Mark R. Kramer as Foundation Strategy Group, LLC, and converted to nonprofit status under its new name in 2006.

FSG achieves its mission in three ways:

- › Advice – Providing consulting services for corporations, foundations, and NGOs on strategy development and evaluation.
- › Ideas – Publishing articles and white papers that generate new ways of thinking about social progress and corporate social responsibility.
- › Action – Catalyzing long-term initiatives that address critical challenges and opportunities facing the field.

With offices in Boston, San Francisco, Seattle, and Geneva, FSG Social Impact Advisors' international team of full-time consultants combines the highest standards of strategy consulting with a deep understanding of philanthropy and the nonprofit sector.

For more information, visit [www.fsg-impact.org](http://www.fsg-impact.org).

For a full-length version of this white paper, visit: [www.ey.com/us/csr](http://www.ey.com/us/csr)

**DISCLAIMER**

All statements and conclusions, unless specifically attributed to another source, are those of the authors and do not necessarily reflect the opinions of the interviewees or Ernst & Young. The companies and organizations selected for inclusion have been extensively involved in education reform and were referred by leaders in the education and corporate philanthropy fields, as well as identified through a review of the academic literature and published articles.

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