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A Gamer Puts Vets to Work: The Call of Duty Endowment separates potent nonprofits from also-rans

“Call of Duty Endowment” doesn’t immediately evoke thoughts of a hard-headed nonprofit that matches veterans with meaningful work. Some parents reading this are more likely to blame *Call of Duty* for the unwillingness of a teenager to get a job—because it is one of America’s most popular video games. Launched in 2003, the franchise has in fact become one of the most successful entertainment ventures of any kind in the world—beloved among many for its cinematic quality and because it

allows players to embody military personnel on screen as they complete different missions in conflicts dating back to World War II. Following a strategy of “narrow but deep,” *Call of Duty*’s parent company, Activision Blizzard, has released 24 variations on the theme and made a lot of money in the process. The company decided it wanted to plow some of its profits into helping real-life warfighters, so it set up a philanthropy for veterans called the Call of Duty Endowment, or CODE, and quickly turned it into one of the savviest givers in this field.

A large part of the success of both the company and the philanthropic spinoff comes from leadership at the top. Bobby Kotick has served as CEO of his game company since 1991. He guided it through dangerously competitive waters to its current success.

Then he had an experience that added a whole new priority to his life. He spent a few days as a guest aboard an aircraft carrier operating off the California coast. He got to experience takeoffs and landings, battle drills, and the round-the-clock competence of an anthill of hard-working servicemembers. This experience inspired him to look for ways to help former servicemembers as they moved into civilian life. As Kotick tells it,

The Call of Duty Endowment was born in 2009 from a conversation I had with former V.A. Secretary Jim Nicholson in 2007. I mentioned to him that a philanthropic foundation was planning to build a performing arts center on the grounds of the V.A. facility in West Los Angeles to benefit veterans. His response was, “That’s stupid. Our real priorities are finding them jobs and improving their health care.”

Nicholson had a point. In 2009, newly demobilized veterans were entering an economy reeling from the worst recession since the 1930s. The reported unemployment rate for post-9/11 veterans was well above the civilian rate, and younger veterans were having the hardest time of anyone. There were plenty of vet-friendly employers looking to hire, and an ample supply of ready-to-work veterans. But they were having a hard time finding each another.

The problem was clear to Kotick. But solutions seemed to be in short supply. Government spent a lot of money on sprawling jobs programs for transitioning servicemembers, but with little evidence of success, and no eye for the bottom line. Meanwhile, many employers were relying on

hiring managers with little experience of military life and no idea how to judge the merits of a veteran applicant. Philanthropy could remedy this mismatch.

Kotick decided to fund organizations that bridge the gap between employers and veterans. He launched CODE toward the end of 2009, and it has since helped more than 25,000 veterans find high-quality jobs. The endowment's successes have been built on strategic discipline, a willingness to learn from early mistakes, and years of rigorous process.

Finding the way

To get the ball rolling, Kotick and his staff launched the endowment as an independent 501c3 and hired an advocacy and marketing organization to take care of grantmaking. The company set aside some initial funding and asked interested senior executives at Activision Blizzard to volunteer time to help steer the ship.

“CODE’s average donation is now half a million dollars, as opposed to \$50,000 in its early years. “Our grants are ten times bigger because we’re ten times more confident.”

At that time, there were no examples of what a top-shelf employment organization for veterans should look like. And there wasn't much information available from the charities doing this work about how their groups performed or were managed. Generous donors were looking to make grants, and high-quality nonprofits were looking for funding, but they had no easy way of identifying each other. Under these conditions, the endowment did its best to distribute funding to organizations that seemed to have the right intentions. Between 2009 and 2011, CODE offered many small- and medium-size grants to groups that said they could help veterans find jobs.

Though made with the best of intentions, the board became uneasy about its inability to assess the outcomes from these initial grants. And the very biggest grant it made—\$100,000 to a prominent organization—was a clear bust. When CODE asked the leadership of that organization what sort of impact its dollars had, the manager couldn't begin to answer the

question. It had nothing to show for the resources it had expended, and didn't even have a firm grasp on where the money had gone.

This sounded alarm bells for Kotick and the other Activision Blizzard executives running CODE. Although it hurt to know this initial investment had been squandered, Kotick knew that if they could learn useful things from the failure, the experience would not be wasted. He asked his team to figure out how it could feel more confident in its investments, and CODE paused all new grantmaking until a better strategy was in place.

Narrow but deep

Kotick realized he needed to bring on a full-time executive to lead the endowment—someone with good business judgment and a strong desire to help veterans. After 12 months of searching he hired Dan Goldenberg. A Navy Reservist with a decade of business consulting under his belt, Goldenberg's favorite method for solving problems was by solving *processes*. That seemed to Kotick to be the right approach.

Goldenberg began his work in an excellent position: Kotick didn't expect him to make any grants until he was confident he had the right approach. This gave Goldenberg breathing room to survey the field, meet the players, and determine how CODE could make the greatest impact. He started by breaking down the various stages, activities, milestones, and failure points in the employment process. He pinpointed specific inefficiencies in the labor market—lack of exposure to a range of careers, poor assessment of veteran interests, not understanding how people with military experience and training would fit in various industries, problems in translating military experience to civilian work, weaknesses in job search methods and networking, and difficulties in adapting to certain norms of civilian work, among other factors. Goldenberg then assessed how well each of those challenges were being met by current programs, where philanthropic funding could be a helpful tool, and what kinds of assistance best fit CODE's philanthropic mission. Where those factors overlapped—high-need, not served, open to nonprofit intervention—CODE would plant its flag.

Within four months, Dan had identified his targets. CODE would support organizations that helped veterans conduct realistic career assessments and then showed them how to do the practical things necessary to land a job offer. CODE chose not to fund indirect approaches like mentorship programs or educating hiring managers on the capacities of

vets. The group's tightened focus dictated how it would judge funding proposals. And it showed what measurements to look for: job placements made, cost per placement, and quality of placements (judged by salary and job-retention rates).

Goldenberg believed CODE had better chances of success if it funded fewer but better organizations. "Diluting resources among every worthwhile need would make it that much harder to measure whether or not the endowment was having an effect," he notes. He found inspiration in one of the foundational beliefs of CODE's parent company—that it is best to do one thing well than to stray into efforts that are too broad. Just as Activision Blizzard bet heavily on a small number of blockbuster hits, CODE would zero in "on veterans' employment. Not health care, not community-building, not education, not even spousal employment. We had to be very narrow."

CODE would further focus on providing the capital to help small but clearly promising organizations grow. Brand-new startups wouldn't be able to show the evidence of success or organizational stability that CODE wanted, but there were plenty of already-existing organizations out there that could demonstrate a big potential upside given some philanthropic backing. On the other end of the spectrum, CODE decided it would avoid grants to sustain current operations of groups. The endowment wanted growth candidates that could drive down the cost per job placement by grabbing economies of larger scale. Most importantly, CODE believed there was (and still is) serious unmet demand among veterans for help in finding good jobs, so it sought partners who were anxious to expand rather than just continue at current capacities.

A seal of distinction

As CODE was establishing its strategy, its demanding board pressed for procedures that would find the best value in the shortest amount of time with limited manpower. Enter Chuck Shapiro, a senior executive at Activision Blizzard who helped set up CODE and sat on its board. He specialized in conducting internal assessments of the company's business divisions—clear-eyed, information-based, business audits are the lens through which Shapiro views the world. He was shocked by how few charities for veterans had meaningful assessments for analyzing the financial health, governance, and results of their programs. No one should have to make investment decisions with so little information.

Shapiro suspected it would be possible to use a modified version of his corporate audit toolkit to assess the performance of nonprofits and compare

them on similar terms. Having previously led a risk-management team at Deloitte, he reached out to his old team for advice and assistance. They helped him to develop assessments similar to the ones used in corporate America, with changes like replacing earnings measures with population numbers, price per placement, and job retention. His standard audit looks at four major categories—expenditures, program operations and outcomes, financial stability, and on-site observations.

Shapiro and Deloitte had repurposed a corporate audit for the social sector. None of this was rocket science, but it did organize information so CODE and other funders could make fair and meaningful comparisons of organizations and spot strengths and areas of concern, without leaving much room for sentimental pleas or anecdotal claims. In addition to helping develop the tool, Deloitte conducts on-site portions of each audit. Deloitte donates this work (on top of its contributions in developing the audit) as part of its corporate philanthropy.



The nonprofit formed a partnership with Deloitte. Together they developed a detailed multi-day assessment that they now use to identify the field's most effective operators.

With this audit tool in hand, CODE now faced the necessity of convincing charities to open themselves up to this rigorous process. The Deloitte connection, Goldenberg notes, was helpful in convincing nonprofits of the credibility and fairness of the audit. The consulting firm's brand name made it easier to convince charities to undergo the process.

To further entice cooperation, Goldenberg developed the “Seal of Distinction”—a prize the endowment offers to any nonprofit submitting to and passing the audit. The seal provides public recognition, validation from a high-profile funder, and a \$30,000 unrestricted grant. This carrot enabled CODE to quickly gather information on a wide range of potential grantees so they could all be compared on the same terms. Not everyone who wins a seal becomes a CODE grantee. But in opening their books, all the participating groups help improve the overall quality of philanthropy for veterans. The seal continues to be a mandatory first step for nonprofits hoping to earn large grants from CODE.

The initial application for the Seal of Distinction is just a few pages long and collects basic, concrete information on an organization's competence. If an organization can't complete the application, that indicates it isn't working at the level that CODE needs in a partner. If an organization meets the initial parameters that CODE is looking for, it becomes a semi-finalist. Deloitte then conducts a three-to-five-day on-site assessment to measure the health and productivity of the organization. Since 2011, Deloitte has conducted about 50 audits of potential grantees.

Organizations that pass full muster are awarded the Seal of Distinction. Even in cases where the endowment cannot fund an organization, Goldenberg believes the seal is very helpful to the group in raising the level of its game. "I offer short consultations even to those organizations that *don't* win, because you can't get better if you don't get feedback." In this way, CODE is improving the field and encouraging best practices in the future, one organization at a time.

Building up charities

Once an applicant organization earns the Seal of Distinction, the application process becomes a conversation between the charity and the endowment about what outcomes could be achieved for a given amount of money. Each grant is engineered so that it encourages grantees to increase the size of their operation by hiring more staff or expanding their geographical footprint to an underserved area. If Goldenberg and the potential grantee agree on a basic plan, he brings the idea to his board for consultation. If the board ratifies the proposal, CODE and the grantee put together a one- or two-page agreement that memorializes the performance commitments—and a one-year grant is made.

"If you'll notice, nowhere in our process is a requirement to send a 30-page grant request over the wall. Once an organization proves itself through the Seal of Distinction, the relationship becomes very simple, open, and transparent—based on earned trust," says Goldenberg. "At that point, it's simply about what can we do together. We look for any number of ways the endowment can help them."

Goldenberg is cognizant of the need for a mixed portfolio of organizations to meet the diverse needs of the veteran population. Reaching homeless and high-barrier veterans is a very different process, requiring markedly different capacities, than finding jobs for transitioning vets who just need a little direction. CODE is willing to support both kinds of assistance, and more, and in any part of the country.

One example of a CODE grantee is Corporate America Supports You (CASY). It has received endowment grants for four years. Since 2010, CASY has placed more than 20,000 veterans in jobs, with an average starting salary of \$69,000 in 2016. The group is especially efficient at taking National Guardsmen and Reservists, who are older and generally pretty well-prepared for the civilian workforce, and connecting them quickly to employers looking to hire ex-military.

CASY uses low-cost remote coaching to help veterans discover their career options, complete short-term training, market themselves, and navigate the application and interview processes. It also works closely with employers to understand what kind of skills they need in new hires. In 2016, the endowment funded CASY with \$1.4 million, enabling the charity to expand at Fort Hood in Texas (a major exit point for members of the Army).

Sometimes, rather than expanding an existing effort, CODE will ask a grantee to bring its services to a new region where there is a large veteran population and not enough help with job placement. For example: the Salvation Army Haven specializes in serving high-need veterans, those who have been homeless, addicted, or involved in crime. In 2015, the endowment helped the Salvation Army add a new Haven location in Antelope Valley, 60 miles north of Los Angeles.

Despite the difficulties of ministering to its target populations, the Haven has a 78 percent job-placement rate for enrollees, and fully 90 percent of the program's placements are still at their job after six months. Its cost per placement is higher than most of the other grantees in the CODE network, but that's because it works with more difficult clients. CODE has helped the Haven lower its costs while increasing impact. Because of the special challenges of its population, expanding and improving operations at the Haven requires different things than it does among CASY's high-functioning participants. CODE has been able to shift gears and help both groups without difficulty.

In its first few years, CODE's average grant was between \$40,000 and \$50,000. Today, its average donation is \$400,000 to \$500,000. "Right now our grants are ten times bigger because we're ten times more confident," summarizes Goldenberg. Brian Stann, CEO of grantee partner Hire Heroes USA, likes to measure his organization's progress by comparing the \$10,000 CODE grant it first received in the early days to what it is getting today. In 2016, Hire Heroes USA received a \$1.4 million check from the endowment.

CODE is also flexible enough to consider one-time gifts. In 2014, Easter Seals decided to expand an employment agency it runs as a social venture (matching hard-to-employ individuals to companies in need of workers) by adding a focus on veterans. Experienced coaches were linked to those needing jobs. Client companies willing to pay a fee were connected to job-ready clients produced by Easter Seals. And the coaches continued to work with their veterans throughout their employment, to make sure they transitioned well to their workplace and remained effective on the job even if challenges arose. CODE provided \$250,000 in funding to help set up the Easter Seals Veteran Staffing Network. Once it was running, the network was able to bring on enough new paying companies to sustain its work using earned revenue, eliminating the need for further grant funding.



The audit and quality-control and continual-improvement procedures of CODE have elevated the entire field of employment services for vets.

More than cutting a check

The net effects of the Call of Duty Endowment are much more than just the sum of its savvy individual grants. The audit and quality-control and continual-improvement procedures described above have helped elevate the entire field of employment services for vets. On a more micro level, CODE has had powerful effects on the nine grantee organizations that it has particularly cultivated with larger grants and extensive time and attention—helping them take important leadership roles in the field. These grantees cover a wide range of subpopulations, regions, economic niches, and philanthropic styles.

And the regular reports that its grantees provide to CODE yield extremely useful signals on the true state of the labor market for veterans. For example, the U.S. Bureau of Labor Statistics reported that 2015 saw a considerable decrease in unemployment rates for veterans. But the BLS survey samples are too small to provide reliable conclusions, and the questions are too general to provide useful information on important topics like underemployment among those who do have jobs. The fact that CODE grantees, taken together, have seen demand for employment

services rise by about a quarter over the latest year has leavened the government statistic, shown that unemployment among vets is not fully solved, and helped service agencies zero in on the neediest populations.

CODE has begun to periodically convene its grantees to share information, compare notes on best practices, discuss obstacles, and brainstorm on mutually useful projects. Goldenberg convened the first of these gatherings in the spring of 2016 in Chicago. Other meetings will follow.

A CODE grant has become a powerful signal to other donors and employers that the charity in question is doing many things well. Endowment funding, says one grantee, gave his group credibility “to raise additional major philanthropic investments and...to approach potential employer clients.” Peer funders also benefit from CODE’s clear, even-handed process. They look to CODE for recommendations because they can trust its audits of baseline operations and results among its grantees. By making its processes public and transparent, CODE is making the allocation of donor dollars a much more efficient process. And more donations are ending up at organizations with the capability to provide good outcomes.

Finally, the endowment uses its visibility and public following (and that of the parent company) to support grantees and draw constructive attention to the issue of employing veterans. This has boosted many groups and useful undertakings.

Recruiting partners

CODE has distributed over \$16 million to nonprofits providing job services to vets, and has another \$6 million in grants planned for 2017. CODE’s parent company covers all of the administrative costs and overhead of the charity, including the director’s salary, so all endowment spending goes to direct grants. In addition to the funding that Activision Blizzard has put into the endowment, the company encourages Goldenberg and the board to fundraise directly to the public (through special company products that make it easy for consumers to give) and to other corporate donors (through company partnerships). Structuring CODE as a separate nonprofit, rather than a corporate foundation, allows it to take in funding from these outside sources. And it lets givers who want to help vets but don’t have the expertise that has been created at CODE to give with great effectiveness. Much of the growth in CODE’s grantmaking budget is now coming from these external donations—\$3 million in 2016.

Because of the rigor with which it evaluates organizations, and its businesslike approach to giving, the endowment has been able to engineer partnerships with a variety of companies that trust its grants. These include Costco, Carl's/Hardees, Redbox, Gamestop, and Amazon. In 2015 alone, these partner companies raised \$1.4 million for CODE.

Activision Blizzard also allows CODE access to its customers. Call of Duty buyers assume the identities of warriors in their game playing, and many are naturally inclined to support real veterans. Goldenberg has been able to launch several products that funnel small donations to CODE, including in-game "personalization packs" that have raised more than \$600,000, a five-day gaming marathon streamed to millions of viewers that raised more than \$200,000, and a campaign where users could bid to become actors in a new Call of Duty game. Ancillary products like "Call of Duty dogtags" are also now sold to generate revenue for the charity. It's worth noting that one thing the endowment has never done to raise money is to cash in on the inaccurate portrayal of veterans as hapless and pitiful victims, as some charities have tried.

Overall, the Call of Duty Endowment has been a striking success. Hard numbers testify to that. So far, CODE funding has put more than 25,000 veterans to work. Over the latest two years, the organization reduced the average cost of placing each veteran in a job by 54 percent—to under \$600 per individual. At the same time, the quality of the jobs acquired went up. Last year, the average starting salary of veterans who were placed in work by a CODE-funded organization increased 18 percent, to \$50,364. Not bad for an organization that began with some disappointing grants.