Corporate philanthropy is enlightened self-interest

By Elizabeth Cham
Posted Wednesday, 11 August 2004

Chas Savage's piece "The easy and popular vice of corporate philanthropy" fails to take into account a number of important factors in both the business and the philanthropic worlds.

Savage points out the undeniable fact that directors and executives have a responsibility to shareholders and must act in their interests and according to their wishes. Philanthropy can comprise an integral part of both pursuits. It helps companies achieve their business goals: it increases customer loyalty and employee morale, attracts a higher calibre of graduates, creates a reservoir of goodwill in the community, preserves the public’s trust in business, and enhances the company’s image in the community. All of these elements lead to a respected, well-patronised, healthy business with increased market share, outcomes which are well-documented in Australian and international studies of corporate philanthropy.

However, there is another element which is increasingly coming into play where corporate philanthropy is concerned. Shareholders themselves increasingly expect companies to play an ethical and philanthropic role as well as a purely profit-making one.

The Shareholders’ Project survey conducted in 2001 by Irving Saulwick and Associates indicates that 20 per cent of Australian shareholders believe that “contributing to community wellbeing” should be a company’s top priority, even above making money. These are shareholders who indicate they will rid themselves of shares from companies they disapprove of. The figure becomes even higher with younger generations, rising to 32 per cent of 18-to-24 year-old shareholders.

Savage’s point about company executives making grant decisions is becoming less relevant as corporate philanthropy evolves. Even in the private sphere, there are many different approaches to philanthropy, ranging from providing regular contributions to the same respected institution every year to a high-involvement "venture philanthropy" approach, in which the grant-maker initiates and/or has hands-on participation in projects. Similarly, corporate philanthropy ranges from local business supporting local sporting clubs and kindergartens to sophisticated partnership arrangements which deliver social benefits while achieving business objectives.

The amount of engagement or expertise needed will depend on a business’s approach to its philanthropic work. Many companies now employ staff with specialised knowledge of the community sector, to ensure maximum benefit from their philanthropic investments. Their giving is context-focused; they contribute to charitable organisations in ways that will enhance the environment they operate in.

The most important fact Savage fails to take into consideration is that business cannot do business in a community which does not thrive. In Australia we expect government to provide certain services and undertake certain roles, but government is unable to provide for all community needs. Business is inextricably part of the community, operating within it, drawing staff, shareholders and customers from it, and dependent on maintaining its goodwill and cooperation in order to survive in a highly competitive environment. A new age calls for new solutions; a business that engages in philanthropic partnerships to help ensure a healthy community in which to conduct its operations, recruit employees and sell its goods and services is behaving wisely and in the best interests of everyone, shareholders included.

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