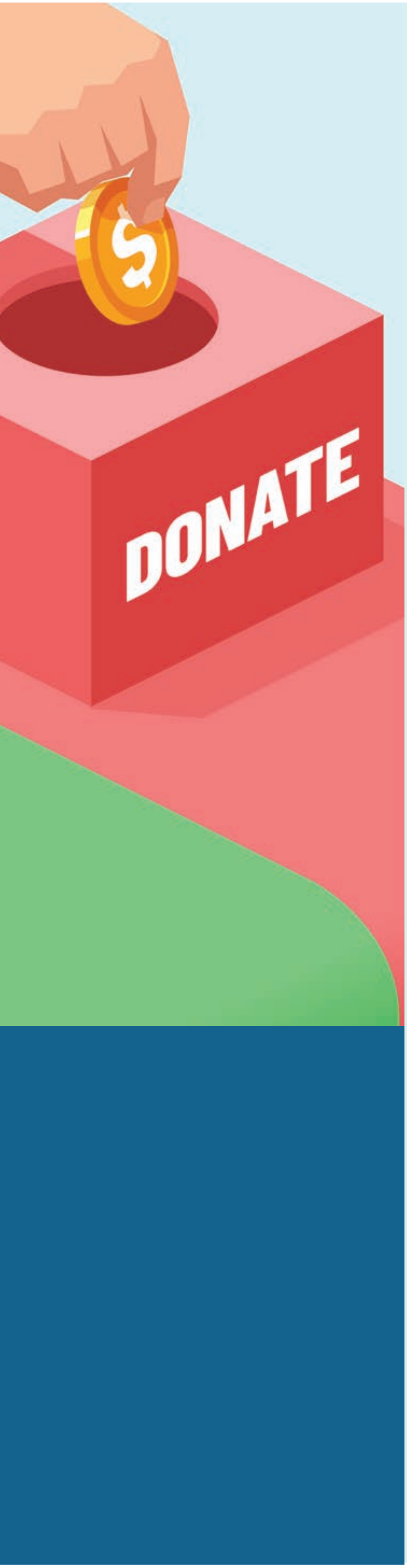
Corporate Philanthropy: Why Businesses Must Do Good

By LAURENCE LIEN and STACEY CHOE

In a hyper-connected world, businesses have to put in greater resources to ensure that corporate social responsibility and community engagement are more than just window dressing. Corporate philanthropy is wider and more relevant than ever for businesses in the new world order.



Shifts in value patterns, consumption behaviours and the rising class of affluent millennials in a fast-changing market have seen a rise in consumer consciousness and shareholder activism. Corporates are now, more than ever, forced to ask themselves how to stay relevant in this new paradigm.

The goal posts are shifting. The changing profile of consumers is driving demand for more ethical and sustainable business practices.

Brands and products like Impossible Foods have captured the market with their plant-based substitutes for meat and dairy produce. Aggressive marketing and eager investments (including Temasek Holdings') have boosted the company's valuation to over US$2 billion (S$2.7 billion) in May 2019. The company's mission is simple. It aims to give people the taste and nutritional benefits of meat and dairy without the negative health and environmental impacts associated with livestock products.

Ripples of change

In markets that are at times flooded with options, the socially aware, highly educated and well-heeled groups look to make decisions that help them do their part to make the world a better place.

Impossible Foods is not an exception. Increasingly, we see people having expectations of corporate responsibility not only in the case of consumer goods, but also from institutions like banks and even business-to-business companies. As consumers demand more ethical supply chains, the call for accountability has widened. Consumer activism no longer rests with a few non-governmental organisations (NGOs) or advocacy groups, but the wider public too.

The social contract between the business sector and consumers has evolved. No longer is it enough for companies to just produce good products alongside good service, but this should be done ethically and sustainably. In other words, it is not just the outcome but the process that is under scrutiny by ever-vigilant consumers.

Corporate social responsibility (CSR), which has now become "how you make your money" and not just "what you do with your profits". This subtle shift is becoming a huge factor in leading consumer behaviours.

From a purely commercial and economic concern, the focus is increasingly on the human and social condition. For instance, companies are facing tough questions.

Are we paying a living wage so that each employee is able to afford a basic but decent standard of living? Are we producing products that genuinely enhance human progress and the human condition, and doing so in a socially responsible way? Are we treating our suppliers fairly? Are we uplifting communities in the areas that our businesses operate in?

Doing good makes good business sense

Philanthropy, done right, provides us with the correct moral compass to address these questions. It galvanises everyone along a single purpose – a more meaningful, higher purpose beyond money-making. This involves the creation of the right corporate culture – where what your company stands for and means, is also meaningful. Such a corporate culture will have a positive impact not only with consumers and the market, but also with staff. This ultimately helps increase shareholder value.

Mark Kramer and Michael Porter coined the approach of "Creating Shared Value", which focuses company leaders on maximising the competitive value of solving social problems in new customers and markets, cost savings, talent retention, and more.

As an example, the Philippines-based conglomerate, Ayala Corp, has restructured itself to adopt this management strategy, tackling issues like providing quality education and talent into the business sector, which benefits communities, and addresses gaps in the market, while earning sustainable profits.

Incorporating philanthropy into business strategy can also be something that is quite apart from good business practices. When companies like Coca-Cola get their corporate foundation to work on providing water access to communities that they work in and undertake financial literacy programmes for women that set up small "sari-sari" stores, the foundation is practising active stakeholder management on behalf of the company.

When a problem does turn up, they will be able to turn to the NGOs and government agencies that they have been partnering with on all their social impact projects to help give to the public more balanced viewpoints and testimonies on their behalf.

How a company is perceived by the market affects its brand value and, more important, its actual value to society. Corporates have to take the initiative to be the active corporate citizens that society now expects them to be. It is no longer enough to just be good at providing a service and product. Businesses have to be good at how they do it too.

Integrating philanthropy into business strategy

It is not just about incorporating philanthropy as a by-product of CSR activities, but to align the outcomes that one wants to achieve with business objectives and strategy. For this to succeed, there must be focus and alignment.

Take Thomson Reuters Foundation, the philanthropic arm of the international media and information company. The foundation, Trust.org, builds on the company's expertise and core business, providing information, research, and access to legal volunteers. The company's slogan is that it is "the answer company", and it seeks to empower civil society through transparency and justice.

When software company Salesforce first started, it integrated the company's strategy for philanthropy into its business model, adopting the now famous 1:1:1 model of setting aside 1 per cent of its equity, 1 per cent of employee time, and 1 per cent of its products as a basis for the foundation. The benefits reaped from this include employee satisfaction, increased subscription for its non-profit package, and growing impact from the company's programmes on STEM (Science, Technology, Engineering, Mathematics) education.

Outcome of Senior Management Participation in Corporate Giving		
	Companies WITH senior management support and/or participation	Companies WITHOUT senior management support or participation
Participated in regular giving (i.e. weekly, monthly, quarterly, bi-annually)	27%	19%
Median number of employee volunteers	10	2
Median donation amount	$5,000	$1,500

Source: *Corporate Giving Survey 2017*, National Volunteer & Philanthropy Centre

This is not merely a marketing exercise. Purely re-packaging a product or corporate culture that is otherwise toxic without actual underlying transformation will be even worse than not trying. The market will be able to call out disingenuous efforts and the results can be disastrous.

Leveraging on business and resources

In designing and deciding on a company's corporate philanthropy focus, the board should consider *all* the resources available – including human capital, networks, and expertise. These, when used well and combined with financial aid, will help the mission go much further. For example, a public relations consultancy could consider helping a nonprofit organisation with their communications and outreach.

Corporate philanthropy is also about engaging the heart and the hands, as well as the mind. Companies need to tap into the common interests and passions of their employees. Employees should be empowered to steer giving programmes. Their own giving can also be matched by the employers/companies. And they need to be encouraged and recognised.

The best form of encouragement is when top management are role models. When directors demonstrate their buy in, that is half the battle won. The findings of Singapore's National Volunteer & Philanthropy Centre (NVPC) *Corporate Giving Survey* 2017 found that management interest and engagement were cited as a key reason for volunteerism (42%) and philanthropy (49%). In addition, the level of corporate giving by employees went up significantly when senior management participate or not (see box, "Outcome of Senior Management Participation in Corporate Giving").

Businesses must make a concerted effort to ensure that corporate philanthropy is an integral part of the company's mission.

In order to save an ailing world beset by climate change issues, social divisions and political polarisation, corporates have to be part of the solution and not be seen as part of the problem. By making sure that corporate philanthropy is on the table during the next corporate annual retreat and board strategy session, companies can be a better stakeholder within the community and weather the storms ahead better. ■

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