Business Philanthropy is a Virtue

By Michael Chaney

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Business philanthropy *is* a virtue. And not just in the sense that it produces benefits for the community. Business philanthropy is an essential part of smart business practice.

But the term "business philanthropy" is a little out of date. Thinking among the most progressive "business philanthropists" is now much more sophisticated. There are business "donations" (given without expectations of returns), business "sponsorships" (which usually have defined marketing outcomes), there are community business "partnerships" (a deeper engagement than a sponsorship, usually the result of a solid business case for longer term engagement). All this activity now falls under the heading "corporate social responsibility". This is what we are really discussing: should corporations have social or community responsibility?

Quite apart from our personal feelings about how virtuous or not it might be for companies to contribute from their profits to the community, there is growing evidence that corporate social responsibility actually improves a company's competitive advantage. That is, business philanthropy can actually be good for business.

Here are three notable examples

First, Ira Jackson and Jane Nelson argue in their new book *Profits with Principles: Seven Strategies for Delivering Value with Values* that companies combining profit-making with a concern for values and the greater social good, do better than those that concentrate only on the bottom line.

They argue that meeting the daunting challenge of surviving in today's relentless competitive pressures requires business to develop a new framework for delivering profits and long-term value for shareholders, while rebuilding public trust and providing value for society.

Supported by empirical evidence, they argue that the most successful and competitive companies of the future will be those that combine an explicit commitment to advancing the public interest with a commitment to profitability.

Second: Another publication, "Sustainability and business competitiveness", commissioned by the UK Department of Trade and Industry, and organized by the Forum for the Future, argues that, "A company's social responsibility policies can improve its competitiveness".

How can this assertion be proved? This report, the result of a workshop in May 2003 attended by 70 senior business researchers and practitioners, from the chief economists of Shell and BA to the senior corporate responsibility adviser at Vodafone, found that many of the tools used to measure business intangibles could also measure the shareholder value of a company's corporate social responsibility policies and performance.

"This offers robust evidence of the business value of corporate sustainability and responsibility," says the commentary on the Forum for the Future's website.

"The workshop's findings are important given the views to the contrary expressed by some influential commentators. The mistake made by these commentators and the shareholder value movement was to regard the cost of corporate sustainability and responsibility and sustainability programs as an expense rather than a potential investment."

Third, management guru Michael Porter says: "I used to see this area of corporate social philanthropy as the last thing on my agenda 10 years ago, but now I agree that social and economic issues are intertwined. Corporate philanthropy - or corporate social responsibility - is becoming an ever more important field for business. Today's companies ought to invest in corporate social responsibility as part of their business strategy to become more competitive. Corporate success depends on the local environment: an appropriate infrastructure, the right types and quality of education to future employees, co-operation with local suppliers, quality of institutions, local legislation, and so on. In this corporate competitive context, the company's social initiatives - or its philanthropy - can have great impact, not only for the company but also for the local society."

There is also compelling local evidence that the community notices and approves of what businesses are doing philanthropically.

Since "Eye on Australia" (a survey of consumer attitudes, commissioned by Grey Advertising and conducted by Sweeney Research) began asking Australians which company they trust the most, Australia Post has consistently scored highly. Consumers see Australia Post as a company that puts people before profits.

Is it a coincidence that Australia Post is also an enthusiastic financial supporter of community projects?

A report on this research in *BRW* said: "Consumers want to see more examples of companies giving back to the community at a local level. They see this happening with companies such as Australia Post, but perceive most big companies as being preoccupied with making profits."

Partnerships in the community with environmental, educational and arts organizations are investments with real business returns. So even focusing purely on why it's good for business, "business philanthropy" is clearly justified.

All the benefits to the community flowing from this support could be seen as just a byproduct of doing what's good for business, if you want to take the line that business is somehow separate from the community in which it operates.

But business does not operate in a vacuum, nor can we expect government to provide all the funding for the community programs we need to be a civil society.

If it's adding to shareholder value, and it's enriching the community, there can be no convincing argument against business philanthropy.

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