The philanthropic contract: building social capital through corporate social investment

David Cooke

Southern Cross University
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Dedication

To my beautiful daughters Beth and Nina and wonderful grandson Lucky. Thank you for the inspiration which you provide me with each day.
Acknowledgements

Firstly I would like to thank my Doctoral Supervisor, Professor Alexander Kouzmin. When first approaching him he announced that he only took on students who ‘had a twitch in their eye’ indicating a passion for their subject. I am pleased he saw the twitch and then persevered with me over the ensuing months. He continually sought to stretch my boundaries and direct me toward the work of esteemed authors, whose earlier writings would inform my work. He never hesitated to take my calls or promptly return emails and in fact on many occasions hosted me on the verandah of his home to listen to the latest musings of a novice student. I have been privileged to be guided by such an eminent author and academic.

I would also like to acknowledge the direction provided to me by a different type of mentor, namely Swami Chandrasekharanand Saraswati, an Indian monk who I first met in the Himalayas in December 2003, who upon meeting me said ‘you should undertake a PhD and write about the positive things that companies do’. This conversation, along with subsequent ones, have allowed me to maintain a conviction that the months of reading, researching and writing were being wisely invested.

I believe it is also important to acknowledge another academic influence on my life, namely that of Marcus Cohen. Marcus was my first lecturer at the UNSW AGSM when I commenced an Executive MBA in late 1996. Not having been to university previously, and hence not having attained an undergraduate degree, I was understandably concerned about my ability to work at a Masters level. Upon handing me the subject results for my first unit, which he had graded as a distinction, he said ‘now that you have got your first subject out of the way there is no reason why you can’t go on and complete a PhD’. Marcus was himself writing a doctoral thesis on Volunteering in Australia, however, regrettably passed away before he could complete his work. His attitude of constant encouragement and willingness to give freely of his time and energy to all his students has no doubt inspired many toward greater achievement in their lives.

Finally I would like to acknowledge another source of inspiration who has also recently passed away. That is Dr Rodney Seaborn AO OBE who was born in 1912 and died on 17th May 2008. I first met “Dr Seaborn” as a young boy and had contact intermittently throughout teenage years and in my early twenties. Upon successful completion of a law degree he decided that his future lay in medicine and worked to pay his way through medical school in London, eventually obtaining a degree in psychiatry. Not content with giving via his knowledge, skill and service to patients, the community and medical and government boards he also embarked on giving away the financial and real estate assets that he had accumulated through the establishment of the Seaborn, Walford & Broughton Foundation. His constant desire to give and support the artistic endeavours of others made Rodney one of the most generous philanthropists in Sydney greatly assisting the work of NIDA, the Australian Elizabethan Theatre Trust, the Griffin Theatre Company to name just a few.

“…his sunny personality and enthusiasm, his leadership by example and his boundless philanthropy were so outstanding we can truly ask ourselves: Will we ever see his like again?" – The Hon Justice Lloyd Waddy RFD.
Abstract

This study investigates the relationship between profit-making corporations and the not-for-profit sector within Australia. The broad field of corporate social responsibility, or CSR, is discussed, narrowing to the activity of corporate philanthropy and corporate social investment. The latter is defined as being philanthropy with strategic intent, in order to build capacity within the recipient organisation which in most cases will produce beneficial outcomes for the donor as well (Tracey, 2003). The title of this study has used the term ‘philanthropic contract’ (Broadbent, 2001; Kouzmin, 2007) to describe the relationship between commercial organisations and charitable ones and the unwritten societal expectation, that the corporate sector will support the work of members of the not-for-profit sector. This study also uses the term ‘social capital’ (Putnam, 1995) to describe one of the principle areas of benefit for companies who participate.

The aspect of the relationship between the two sectors that formed the focus of this study is defined as being the interaction between the two that involves financial contributions and those of goods and services as well as expertise, information and influence flowing from profit-making companies to not-for-profit organisations.

The direction of the research is to advance toward an understanding of why corporations engage in this practice and toward a conclusion as to whether corporate social investing is a mutually beneficial exchange. Finally, the study highlights examples of engagement processes, and advice from those participating. The inclusion of these in the study is designed to provide valuable learning for other corporations, and not-for-profit organisations, contemplating entering into their own philanthropic partnerships.

Through ten qualitative interviews this inquiry investigated the attitudes toward this relationship of various stakeholders including the management of not-for-profit organisations, representatives of relevant associations and social commentators. It became apparent that the previously well-publicised opposition to publicly listed companies supporting the not-for-profit sector, proffered by organisations such as the Australian Shareholders’ Association, had largely evaporated.

Case studies involving five profit-making corporations, operating within Australia, were then undertaken and the views of their senior management sought as regards their motivations, aims, and outcomes. Overwhelmingly their experiences were positive for the corporation, the organisations they were funding, and the members of the community that the recipients were in turn supporting.

Corporate benefits reported included increased ability to attract quality staff, enhanced ability to retain staff, significant development for staff that actively participated, improved corporate culture and the building of social capital leading to enhanced reputation which supported the corporations licence to operate, future objectives and long term sustainability.

It is hoped that these insights along with the advice offered up by those individuals and organisations that participated in the study will benefit others and promote greater participation in corporate philanthropy and social investment within Australia.
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Chapter 1: Introduction

This thesis overviews the broad field of corporate social responsibility, or CSR, narrowing to the specific activity of corporate philanthropy and corporate social investment; The latter term denoting a strategic intent or desire to build capacity in the recipient, on the part of the corporate giver (Tracey, 2003). Corporate philanthropy may well be claimed as a North American innovation (Payton, 1988), however, it is a growing practice within the Australian corporate world (Centre for Corporate Public Affairs, 2007).

The title of this study is The Philanthropic Contract: Building Social Capital Through Corporate Social Investment. This encompasses the corporate sectors’ decision to work with the not-for-profit sector and the resulting increase in social capital (Putnam, 1995) achieved through support for the community. An unwritten contract appears to be emerging between the corporations and their stakeholders, especially in the societies in which they operate, whereby the latter have an expectation that corporations will, through various means, support the communities from which they extract their profits. In this sense it could be said that a three-cornered contract exists between giver, recipient, and society as a whole.

The term ‘philanthropic contract’ (Broadbent, 2001; Kouzmin, 2007) to some degree mirrors the concept enunciated by Edgar Schein, in his important work Organisational Culture and Leadership (2004) in which he wrote about the often unwritten contract entered into by employer and employee when a decision is made by the two to work together.

This study seeks to understand why a company established primarily to produce profit for its owners or shareholders would choose to give its money away by involvement with the not-for-profit sector. Once greater understanding of this motivation has been gained, then the study will enquire into what elements underlie a successful engagement between profit maker and their non-profit partners and how this process might be rendered more successful for others who wish to engage.

1.1 Background

Private sector business occupies a pre-eminent position in today’s society. It is a provider of vital goods and services, an employer of millions, a source of investment income for many, and an influencer of government policy. In developed societies businesses touch virtually every person, every day of their lives. Organisational structures and their various methods of operation have constantly evolved in an effort to achieve even greater influence. Simple structures have given way to more complex ones. The growth of the corporation has reached the point where it has a powerful, even dominant, position in society today.

In the Literature Review in Chapter Two, a range of views will be investigated to understand better whether this is necessarily a good development or whether it may in fact be producing negative consequences—a view advanced by some authors.

The major advances in civilisation are processes which all but wreck the societies in which they occur (Marshall, 1959, p. 88).
So, if the growth of the corporation qualifies for what Marshall calls ‘major advances’ (1959, p. 88), is the growth of the corporation a positive and evolutionary occurrence or will it prove to be a contributor to wrecking the very society on which it depends for its own survival? Some business and social commentators had viewed this developmental process as a positive one and had high hopes for corporate entities and their leaders. Some 50 years ago, Selznick (1957, p. 138) wrote of the organisation becoming the ‘institution’ and of organisational management being replaced by a kind of ‘institutional leadership’.

Within this environment the drive for greater efficiency and profit as the primary goal of the corporation was being gradually replaced with human values such as the fulfilment of employees and the integrity of the company’s own mission.

‘Infused with value’ (Selznick, 1957, p. 138), the corporation now behaved differently and exhibited its own unique integrity as a part of its drive to present ‘distinctive competence’ (p.139) and a unique value proposition to the market. This reflected a realisation by the leaders of companies that they needed to differentiate themselves from competitors and simultaneously become more aware that they were a part of a greater system, namely society as a whole. The notion of independent entities was being replaced with an acknowledgement of co-existence, and at times co-dependence, with those structures around them.

This phenomenon observed by Selznick has developed further over these past five decades, with many writers and corporate leaders believing that a total focus on profit can no longer be the sole aim of today’s corporation (Himmelstein, 1997; Levy, 1999; Benioff, 2004; Damon, 2004; Hollender, and Fenichell, 2004; Isenheim, 2005; Laszlo, 2005; Anheier, 2006).

... more and more people, individuals and groups, call upon contemporary capitalism (as expressed through business) to be environmentally and socially responsible; to be accountable and transparent; to be inclusive; to be ethical and stable; to be more equitable—to be sustainable (Birch, 2003, p. 1).

Dunphy and Griffiths (1998) in their important work The Sustainable Corporation use the term ‘Organisational Renewal Movement’ (p. 1) to refer to the collective impetus provided by those who challenged the conventional wisdom around organisational principles and sought a positive change within the way businesses operated. They refer to these individuals as ‘organisational heretics’ (p. 8) and ‘corporate change agents’ (p. 1) in their push for greater emphasis on the needs of employees, greater awareness of the role of the corporation in society, and the acknowledgement of the impact of business on the environment.

There definitely now appears to be a more widely accepted and growing acknowledgement that a delicately balanced relationship does in fact exist between corporations, the environment, and society. They depend on each other, and this requires that today’s business leaders be aware of this and be prepared to manage multiple stakeholder interests when making decisions. This maturation of the corporation is a complex but exciting process.

One of the decisions that confronts today’s business leaders is to what extent the corporation will engage with the community that has given it a licence to operate (LogicaCMG, 2007). This will also involve at some point decision making around whether to participate in corporate philanthropy or corporate social investing or corporate community engagement (Tracey, 2003).
Could participation in these activities be one of the keys to the corporate juggernaut nullifying Marshall’s prediction, instead, contributing in a largely positive manner to modern society and the sustainability of both itself, as a profit-generating entity, and the world in which it operates? If a decision is taken to provide assistance to the community, for example through the not-for-profit sector, should this be done with pure altruism at its foundation, or should corporate giving also respect the risks that shareholders have taken when investing in the company and their legitimate right for a return on that investment? Could giving the company’s money away enhance the organisation in the eyes of society and actually lead to benefits for the donor as well as for the recipient? If so, what are these benefits likely to be and how should these two sectors engage with each other to realise them?

Within Western societies few would argue that a capitalist system needs a functioning commercial sector providing goods and services, generating employment, and, in the case of publicly listed corporations, creating shareholder value. Most would also agree that society also needs organisations that function for reasons other than the generation of profit as their primary motive. These may work to improve the quality of life for the disadvantaged or focus on disaster recovery and the alleviation of the suffering of those impacted by events such as natural catastrophes. They may provide the members of society with artistic or cultural activities as well as sporting or educational services.

The need for funds to flow to not-for-profit agencies to aid their work has never been greater.

Today the massive divide between the super rich and the desperately poor is greater than ever, with just 2% of adults commanding more than half the world’s wealth while the bottom 50% possess just 1% (www.reuters.com—accessed 24 April 2007).

We know that societal divide has been in existence for thousands of years, and so has the practice of giving to alleviate poverty. This charitable responsibility has been expressed by philosophers and in religious texts across many ages and societies. As society seemingly became more sophisticated so did the vehicles for giving. Charities were formed to focus on the needy and disadvantaged. Often religious-based, they would dispense their aid in the form of food, clothing, shelter, and medical support.

In Europe, post Industrial Revolution, and later in the United States following the American Civil War, the trend toward institutional giving developed into what became known as philanthropy (Bremner, 1988). The difference between charity and philanthropy tended to be that the latter was preventative rather than palliative, focusing on the root cause of the distress rather than simply alleviating its manifestations (Ellens, 2007).

With the advent of industrialised America came the great philanthropists, people like Andrew Carnegie, Cornelius Vanderbilt, and John D. Rockefeller. These extremely wealthy men brought a pragmatic approach to assisting the disadvantaged that avoided indiscriminate giving which was seen to only contribute to the propagation of idleness. ‘Charity reform’ and ‘scientific philanthropy’ arose to combat ‘lackadaisical poverty’ or a state of constant dependency (Ellens, 2007, p. 4). Ostentatious displays of wealth were frowned upon and Carnegie was quoted as saying ‘… that a man who died with wealth intact was a disgrace’ (Ellens, 2007, p. 3).
Today the level of giving in the United States surpasses US$200 billion dollars annually (Frumkin, 2006, p. 3), with a strong tradition of wealthy families engaging in philanthropic pursuits. However, the level of outpouring of giving by the rich in the United States does not appear to be matched in Australia (Gray, 2007, p. 22). Daniel Petre, former CEO of Microsoft in Australia, commented, ‘our super wealthy … have not been as systematic in their giving as they could have been’ (Gray, 2007, p. 22). Rob McLean, former Managing Partner of McKinsey and Co, now Chairman of Social Ventures Australia, made a more blunt appraisal:

There’s no apparent social pressure as there is in the US for the rich to fund charities. In the US there’s a scorecard in Fortune and Business Week. In Sydney if you are successful, you buy a bigger boat (Gray, 2007, p. 22).

There is, however, a trend toward business involving itself more in social and environmental causes. The Corporate Community Investment in Australia report (Centre for Corporate Public Affairs 2007) states:

This report, again based on a study of more than 100 large Australian companies, demonstrates that business commitment, scope, focus and diversity of corporate community investment activities in large Australian companies continue to increase and deepen (2007, p. vii).

This uptake of corporate philanthropy and corporate social investing is gaining momentum globally. Michael Hastings, Global Head of Corporate Social Responsibility for accounting firm KPMG, states that ‘business has grasped the opportunity that…they really can make the world a better place’ (Lee, 2006, p. 8). There is evidence of this in Australia as well, with giving extending beyond simple cash donations (Myer and Ahmed, 2006, p. 37).

The former chief of The National Australia Bank (NAB), Ahmed Fahour, provides a good example of this. Following the South East Asian Tsunami on Boxing Day, 2004, NAB not only donated $A1 million but raised a further $A12 million through staff and customer donations. To top this off staff then manned phones to collect donations for the World Vision charity and in total contributed through cash and staff involvement around $A22–$A23 million (Myer and Ahmed, 2006, p. 37).

1.2 Purpose of this Study

This study has been undertaken to better understand why Australian companies support the not-for-profit sector and to investigate the relationship that exists between the two. The research is designed to uncover the needs and drivers of both corporates and not-for-profits in relation to their interaction and the fulfilment of the philanthropic contract they have entered into. This is an evolving relationship in which the former now demands ever greater professionalism from the latter (Zukowski, 1998), and the study will investigate these changing demands.

The study is also designed to help fill a knowledge gap in Australia in regard to corporate motivations for philanthropy. What does motivate companies to support the not-for-profit sector and what benefits are sought from this engagement? The study also seeks opinions from stakeholders and social commentators on whether it is a responsible use of company funds for corporations to support the less privileged in society, volunteer organisations, and community groups.
Taking this one step further—if giving the company’s, or shareholders’, money away is a responsible act, could corporations actually have a responsibility to do so? Might they be in breach of an assumed philanthropic contract with society if they do not engage in giving?

Could there be any negative consequences from engagement? Could an organisation that seeks to enhance its reputation though philanthropic gestures be perceived in a negative light? Does support exist for the view of the Australian Shareholders’ Association, which stated in 2001 that this is an irresponsible use of shareholder funds (Tracey, 2003, p. 22), and has this view changed since then?

What are the drivers and mechanics of the philanthropic ethos emerging in a company? The study investigates a range of motivations from appeasement to cause marketing as part of the organisation’s growth strategy. What do companies participating in social investment programs and community engagement hope to achieve? How successful are they at achieving these aims and is there a return on investment? Another interesting aspect of any relationship between businesses and not-for-profit organisations is whether either of these two groups requires interaction with each other, beyond the actual handing over of cash, in order to maximise the achievement of their goals?

Should a profit-making, publicly listed corporation focus solely on its financial returns to shareholders or does it have broader responsibilities within the society in which it functions? Could participation in philanthropic activities actually assist the corporation in maximising returns to shareholders through building social capital (Putnam, 1995) along with the more traditional forms of capital, namely physical, intellectual, and monetary?

1.3 Contribution of the Study

Through studying the interaction between Australian companies and the not-for-profit sector and utilising the insights that have emerged from this study it is hoped that the complex issues surrounding social investing will be made clearer and a contribution will have been made to the formation of viable long-term partnerships between these two sectors.

Could participation in well-thought-out philanthropic activities benefit both parties? If so, to ignore this opportunity would be to forgo potential benefits for both parties and their constituents. It is hoped that from the study will emerge a better understanding of the key drivers or motivations for corporate giving, enabling the not-for-profit sector to make more successful approaches to corporations, leading to an increased flow of support back the other way. The notion of both sectors learning from each other’s skill sets and knowledge domains is also discussed.

1.4 Scope of the Research

The focus of this study concerns those organisations that Blau and Scott (1963, pp. 45–54) refer to as business concerns and service organisations. Grants from the government sector to libraries and galleries, community projects, and other such institutions and activities are not included. The study will not encompass investigation into donations from business to political parties or trade unions. Corporate sponsorship of professional sporting teams does not form a part of this study.
The study concerns giving by profit-making companies to not-for-profit organisations and hence does not canvass the motivation of individuals in society at large. Charity, philanthropy, corporate philanthropy, and corporate social investment are all terms that are used in a variety of ways when considering this subject matter. Philanthropy Australia, the peak body representing those who give to the community, provides the following definitions:


Corporate philanthropy ... includes cash and in-kind donation; donation of professional expertise; companies encouraging their staff to give; volunteer support to community activities; as well as companies forming more strategic planned partnerships and alliances with community based organisations (Elder and Meadows, www.philanthropy.org.au, accessed—31 March 2007).

Some draw a distinction between charity and philanthropy by suggesting that what we give to alleviate the need, suffering, and sorrow of others, whether we know them or not, is charity (Bremner, 1996). What we give to prevent and correct issues such as social and environmental problems and improve life and living conditions for people or creatures we do not know is philanthropy. Concern with the outcome of giving appears to be the main difference in these two definitions, along with the ‘timing of intervention, either at preventative, remedial or palliative stage of suffering’. Also in many cases perhaps a difference of scale, and a difference of formal versus informal, structured versus ad hoc between the two.

The term social investment is also often used in connection with this field and Denis Tracey, from The Asia Pacific Centre for Philanthropy and Social Investment suggests that social investment is an act of giving that encompasses a more thoughtful or strategic approach and is generally based on ‘the idea that both the donor and the recipient will receive some benefit’ (Tracey, 2003, p. 5). Michael Liffman, Director of the Centre, states:

The core proposition is that a social investment is really like a commercial investment. You go into it with certain objectives, you hope for certain outcomes, and you want to be able to monitor what you’re doing (Liffman et al, 2001, p.1).

Some would also argue that for philanthropy to truly be considered under the banner of corporate social investment it must have also entered the fabric of the company and be a defining part of its culture (Tracey, 2003). However, the definition for the purpose of this study does not require that this be the case. At times, a not-for-profit organisation engaged in a social investment partnership with a profit-making company will simply be referred to generically as “a charity”. The lines between these finer definitions of philanthropy are blurred: this study proceeds quite comfortably within the fuzzy boundaries of definitions of philanthropy. Hopefully the study itself will bring greater clarity to the range of giving with its various forms and motivations.

Under this definition it is evident that pure altruism does not have to be at the core of the motivation to give and this has been accepted by the researcher in this study. The definition used throughout does not exclude an act of giving where the giver overtly or covertly seeks a return.
Sponsorships involving naming rights or corporate branding of events can be considered under the definition of corporate social investment, where the organisation accepting funding is a not-for-profit entity. An example of this would be the ABN Amro Sydney Theatre.

Where the study focuses on publicly listed companies the definition used is that they appear on the Australian Stock Exchange (ASX) and as such will have a predominance of Australian shareholders. Private firms by definition are those whose ownership is not accessible to the public through the trading of shares on the ASX. In regard to publicly listed companies, the study is interested in exploring possible tension between owner (ie shareholder) interests and management decision making (ie the agents of the owners). This has been termed the ‘agency problem’ (Micklethwait and Wooldridge, 2003, p. 43). Reference is also made to overseas corporations in an endeavour to position this research population in a broader context.

The study seeks to understand the involvement of corporates with the not-for-profit sector, specifically the motivations and outcomes that exist around this interaction. The research is not limited to work carried out by not-for-profit organisations only in Australia. The channelling of funds from Australian companies via not-for-profit organisations such as Oxfam to overseas aid projects, for example, is within the scope of the research. This funding increased significantly following the Tsunami of December 2004 in which much of the damage occurred in Indonesia, India, Sri Lanka, and South East Asia and yet touched the hearts of many individuals within Australia and caught the attention of many corporations.

1.5 Research Methodology

The Literature Review, Chapter 2 of this study, is designed to uncover what knowledge currently exists around these topics and what knowledge gaps may still remain, specifically in relation to Australian society and the Australian corporate landscape. In Chapter 3, the Research Methodology explains the chosen approach of the researcher, principally qualitative interviews and case studies. Chapters 4 and 5 outline the findings obtained through these mechanisms and the conclusions reached.

The study is a qualitative one, primarily utilising the methodologies outlined below:

1. Qualitative Interviews
   These were undertaken with representatives of the not-for-profit sector as well as associations whose charters extended into this field, and several social commentators and broadcasters and one noted philanthropist / business person who have all previously voiced strong views on these issues.

2. Case Studies
   These have been undertaken with five leading companies practicing within Australia. Four of these are large publicly listed companies and one large global partnership. The researcher was interested to see whether motivations may differ across different corporate structures and different market segments. These fields covered banking, mining, telecommunications and professional services. In-depth interviews as well as other methods of data collection via company reports and websites were utilised within this case-study framework.
1.6 Preliminary Concept Model

Following the thesis structure prescribed by Perry (2000) this study utilises the following categorisations:

1. First Parent Discipline: profit-making corporations—business concerns;
2. Second Parent Discipline: not-for-profit organisations—service organisations;
3. Intermediate Discipline: relationship between these two.

The relationship between these two groups encompasses the concepts of societal responsibility, multiple stakeholder interests, business ethics and morality, corporate reputation, and long-term sustainability for both sectors.

Corporations operate within communities. They draw their staff and shareholders from those communities and make their profits from those communities and are in fact communities of people in their own right. Their financial success, their health, and their future sustainability are inextricably linked to that of society as a whole and the principles of sustainable development would suggest that they cannot conduct their business in isolation or in a manner that does not nurture and support the health and prosperity of the ecosystem in which they live.

Love is the matrix from which community is born … without empathy, caring, compassion, respect, tolerance and love, organisations cease to be communities, trust dissolves and all relationships become calculative (Dunphy, Griffiths and Benn, 2003, p. 272).

Yet we continue to see that in many instances ‘there is still very firmly a “them and us” culture in Australia (and worldwide) between civil society generally and business’ (Birch 2004, http://socap.org.au). Underlying this would appear to be a growing lack of trust in the corporate world. ‘There is clearly, then, a major erosion of trust in business taking place …’ (Birch, 2004). This view has wide support and examples of poor corporate behaviour are not hard to find, however, many see positive change occurring in the longer term:

There are still plenty of corporate Neanderthals, such as James Hardie and British American Tobacco … However, we are seeing a long term change toward more socially responsible business (Lyons, 2006, http://www.u.uts.edu.au—accessed 10 February 2007).

This thesis investigates the motivations, decision-making processes, and outcomes for five companies within the Australian market who appear to be seeking to enhance perception of their own businesses reputations. As influential companies they will naturally contribute positively to the perception of business as whole through their closer ties with the communities in which they operate and their connection and involvement with the not-for-profit sector.¹

¹ The researcher’s interest in these two fields stems from the fact that he has spent somewhat equal time within the not-for-profit world and the commercial world. This has included work undertaken in developing nations and time spent on a charitable board. The researcher is currently working as the Australian General Manager of a large Japanese global corporation. The motivation for this research is driven by a personal belief that both sectors have a great deal to offer each other. However, that there is a lack of understanding of the potential reciprocal benefits by many corporations, and as regards some not-for-profits, a lack of understanding of how best to engage with their potential supporters. The researcher would like to use the material gathered through the process of compiling this study to conduct pro bono workshops for the not-for-profit community on engaging with the corporate sector.
1.7 Conclusion

Although a relationship between these sectors has existed for some time, there is significant potential for growth, as business comes to realise that the public have heightened expectations of the role of business in society today and that any relationship with the not-for-profit sector can be symbiotic (Centre for Corporate Public Affairs, 2000).

To capitalise fully on the growth of interest by corporations in the work of the not-for-profit sector the not-for-profit world itself needs to learn new skills. As one article from 2006 titled ‘The Birth of Philanthrocapitalism’ (2006a, www.economist.com—accessed 23 February 2006) suggests, ‘there is a need for those seeking philanthropy to become more like the for-profit capital markets that they are seeking funding from’.

One significant initiative to promote more successful engagement between the two groups is the recent establishment of the Centre for Social Impact (CSI) by the University of New South Wales. Under the guidance of new Chief Executive Professor Peter Shergold the centre “…is devoted to building the capacity of Australia’s not-for-profit (NFP) sector, philanthropic endeavour and social responsibility in the corporate sector’ (V. Brown, 2008, p. 10).

This research is designed to uncover the needs of both corporates and not-for-profits in relation to their interaction, and, through facilitating the sharing of this greater understanding, enhance the productivity of their engagement. In an article titled “The Science of Giving”, Deans makes the following salient point in relation to the Australian market:

While they are giving much more away, Australian businesses are no longer just writing cheques to whoever has their hands out … there must be a hard-nosed business case before organisations will part with their money (Deans, 2007, p. 21).

This thesis is designed to provide an overview of corporate philanthropy and corporate social investing in Australia as undertaken by five of its leading proponents. Through sharing the insights obtained through observation, interview, and case study, it is hoped that this will assist the not-for-profit sector to understand better the motivations and decision-making processes within potential donor organisations and aid in developing an increased capacity to successfully engage with the corporate world; hopefully resulting in an increased flow of funds and other resources for the valuable work which they undertake. A breakdown of the thesis by chapter incorporating word count (including footnotes) appears in Table 1.1.

Table 1.1: Thesis Breakdown

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Topic</th>
<th>Word Count (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td>4,520 (5.7)</td>
</tr>
<tr>
<td>2</td>
<td>Literature Review</td>
<td>27,360 (35.1)</td>
</tr>
<tr>
<td>3</td>
<td>Methodology</td>
<td>9,362 (12.0)</td>
</tr>
<tr>
<td>4</td>
<td>Research Findings</td>
<td>30,284 (38.9)</td>
</tr>
<tr>
<td>5</td>
<td>Conclusion</td>
<td>6,458 (8.3)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>77,984 (100)</td>
</tr>
</tbody>
</table>
Chapter 2: Literature Review

2.1 Introduction

A search on the internet via Google results in over 10,000,000 references to “philanthropy” (www.google.com—accessed 1 January 2008), reflecting interest in this subject around the globe. As we will see there is both an increased interest and participation here in Australia, which now includes not just individuals, but also corporations. To reach this point, the development of giving, in all its guises, from simple gestures of goodwill to the more sophisticated form of foundations, trusts, and the corporate involvement of today, has journeyed down a very long road. Where that road has brought us however, is to a point where philanthropic giving is:

... likely to increase over the coming decades, as a massive multi trillion dollar, intergenerational transfer of wealth ... expected to transform the landscape of giving (Frumkin, 2006, p. 2).

The direction of this research is to advance toward an understanding of why corporations engage in this practice and toward a conclusion as to whether corporate social investing is a mutually benefic ial exchange. The research also seeks to highlight examples that might be of benefit to corporations seeking to enhance their own engagement process with the not-for-profit sector and conversely these organisations with the corporate sector. The purpose of this chapter is to chronicle the development of both the corporation—the giver—and the not-for-profit organisation—the receiver—and the formation of relationships between the two.

2.2 Parent Discipline 1: The Profit-Making Corporation

2.2.1 History of the Corporate Structure

Historically, companies in various forms have been around for thousand of years and have evolved through a variety of systems. They stretch from the simple structures of Mesopotamia in 3000 BC and early loose trading arrangements amongst the ancient Assyrians of 2000 BC, to modern-day complex shareholder structures and the growing trend toward ownership by private equity firms practicing their leveraged buy-out strategies (Micklethwait and Wooldridge, 2003).

The ancient Romans had their “societates” or partnerships involving share holdings and trading through company structures was also widespread throughout the East. Even the prophet Mohammed, 569–632 AD, engaged in commerce. The Chinese were particularly advanced in business, which involved elaborate partnerships, the use of currency and generation of tax levies to benefit the Great Khan (Komroff, 1926).

By the 12th century the “compagnia” of Florence had evolved in Italy. This word was formed from the Latin words cum and panis, literally meaning to break bread. This signified the trust that each partner had in each other as an underlying basis for joint ownership. Company structures proliferated through the ages, appearing in virtually every culture. The guilds of the Middle Ages were dominant in the commercial life of Europe. Chartered companies, which were combined private and government entities, then came into being, representing an attempt by commercial speculators to capitalise on the riches of newly discovered lands.
The voyages of merchants were often funded by royal charters, with the monarch often taking an equity position in the firm themselves (Micklethwait and Wooldridge, 2003). In many other cases where funds were sought from other private sector members, the venture was so high in risk and required such large investments that limited liability structures had to be created to entice potential shareholders.

Perhaps the most famous model of the chartered firm was the Dutch East India Company created in 1602. Unlike its predecessor, the English East India Company, in which individuals invested for one voyage at a time, investors in this new structure were a part of a 21-year limited-liability company (Micklethwait and Wooldridge, 2003).

2.2.2 Taxonomy—Comparative Perspectives of Organisations

As briefly discussed, organisations have evolved over time in terms of purpose and structure. In 1963, Blau and Scott (pp. 45–54) defined four predominant types of organisation, distinguishable from each other primarily by the intention and focus of each. These definitions are still applicable today, and this research involves the study of two of them: business concerns and service organisations. However, all four types of organisations have been listed here for completeness.

1. Business
The owners of these business concerns are expected to be the prime beneficiaries. There are thousands of entities that fit this description and they are the employers of vast numbers of people and profit generators for their owners, be they sole proprietors, partnerships, or more complex multi-shareholder concerns.

2. Service Organisations
As the title of this category suggests, the prime purpose of these organisations is to serve a defined client group. Examples of this would be social work agencies, clinics, hospitals, schools, legal-aid offices, or any organisation whose primary focus is the provision of professional services to benefit the welfare of their constituency. Those who are in direct contact with the service organisation are those who are intended to benefit from its existence. These are likely to be not-for-profit organisations.

3. Mutual-Benefit Associations
In this case the members are expected to be the prime beneficiaries of the activities of these organisations. The purpose and focus of these cover a broad range, including political parties, unions, professional associations, and religious groups.

4. Commonwealth Organisations
This group is somewhat of a departure from the others in that it is difficult to speak in terms of these entities having clients and, generally, the public-at-large will be the beneficiary. Government bodies will fit into this category. The Australian Defence Forces would certainly be one such organisation, yet it would be difficult to speak of those being defended by the military as a client. The Australian Taxation Office is also likely to fit into this category. Although, again, it is unlikely that many people would consider themselves as either clients or beneficiaries, in the normal sense of these terms. In addition, there are some organisations set up purely for philanthropic purposes. These will often be foundations created by wealthy individuals or as a result of bequests from their estates, or will sometimes be the off-shoots of commercial corporations. They are really a hybrid of mutual-benefit and service organisations.
2.2.3 What Drives the Corporation?

In most cases a desire to share risk, and subsequently reward, was at the heart of the decision to move beyond a simple owner-operator structure. Today the directors of profit-making corporations owned by their shareholders have the underlying motive to produce a return for those shareholders, who have risked their funds in purchasing an interest in that company, and by so doing provided the necessary capital for its operation and growth. Hence the modern corporation is primarily driven by the pursuit of profit, otherwise known as “shareholder value”.

There has always been the potential for conflict between the aims of the company owners or shareholders and those running the company on a day-to-day basis, that is, the agents of the owners. This agency problem can be seen throughout history, with legislators still searching for the right balance between autonomy and regulation as evidenced by the Sarbanes Oxley Act brought down in the United States in 2002 and which was the direct result of perceived widespread business malpractice. The new Act was designed to strengthen the power of corporate regulators and to improve the degree of compliance to new corporate legislation (www.sarbanes-oxley.com—accessed 16 October 2007).

The history of the motivations of large companies is a more complex field embracing religion, politics, and individual calling. These fields in turn each hold subsets of differing opinions such as the variety of views discussed in the classic work *The Protestant Ethic and the Spirit of Capitalism* (Weber, 1905). Here we see views in regard to the purpose of work, attitudes towards consumption, and the profit motive advanced by the European churches of the Calvinists, Lutherans, Protestants, and Catholics [expanded in his later work *Churches and Sects in North America* (Weber 1906) to include Protestant sects such as the Baptists and Quakers], and gain insight into their link with early capitalism.

The upper echelons of the commercial world were often populated by deeply religious men. In particular the Protestant asceticism, manifested in frugal and disciplined habits, was motivated by a kind of self-denial, to ensure one was not distracted from God. Ironically in many cases this was linked to prosperity through the pursuit of commerce in a manner that was designed to accumulate wealth as a means of fulfilling one’s duty to God.

The drive for greater efficiency and higher returns has been an evolving process. German economist, Werner Sombart, is credited with coining the terms ‘capitalism’ and ‘economic rationalism’ (www.britannica.com—accessed 13-06-2006). He talks of the productivity of labour being enhanced through production methods that eliminated the inherent limitations of the human being. As regards the profit motive, Weber (1905, p. 19) has divided this into two types: subsistence and acquisition. The former describes profit seeking to meet personal needs, whereas the latter describes opportunity-seeking behaviours, or, to borrow a phrase from the Christian Bible, “mammon of unrighteousness”.

Other commentators are decidedly pragmatic in their views of business, such as the late Milton Friedman who famously stated ‘the one and only business of business is maximizing profit, playing within the rules of the game’. (Ybara, 2004, p. 1) There is some anecdotal evidence to suggest that the one and only rule applied by some is “Don’t get caught”! Since the development of large national corporations in the United States in the early 20th century this more complex ownership structure has ironically brought with it a more simple explanation for the existence of these organisations: namely, to enrich their shareholders (Garten, 2001, p. 167).
This concept was further highlighted in the 1980s, when leveraged buy-outs first became common and companies were often acquired with the sole aim of stripping assets with little regard for the interests of stakeholders outside the immediate company shareholders. The tearing down of old companies that had traded successfully for decades, along with the subsequent job losses, was commonplace. In many cases the decision makers behind these practices were held up as heroes. These were the corporate raiders who knew how to unlock shareholder value as they swooped on their opposition and triumphed in the battle for ever increasing returns.

In fact, great warriors were often the mentors of these captains of industry. Jack Welch, the former Chairman and CEO of General Electric, based his core strategy on the principles of Prussian general Helmut von Moltke (Welch, 2001). The Japanese general Sun Tzu has become another mentor within corporate circles. The attainment of outcomes by the dominant coalition or individual within a company has been described in military terms as ‘the art of the general’ (Kets De Vries, 1991, p. 141). The take-no-prisoners attitude is perhaps best typified by Ray Kroc, the former CEO of McDonalds, when he said of his competitors, ‘if they were drowning to death, I’d put a hose in their mouth’ (socialistalternative.org—accessed 8 April 2008). Survival and growth at the expense of competitors, or anyone else for that matter, is all important in such a world.

Researchers such as Alchian (1950) see a process of natural selection at work, driving firms toward profit maximisation as a survival mechanism within the world of evolutionary economics, and that the behaviour of organisations can be understood in terms of Darwinian theories. Thompson states that ‘the organisation was a deliberate and rational means for attaining known goals’ (1967, p. 29). He talks of goals as being self-evident and that ‘the goal of the private business firm is to maximise profits’ (Thompson, 1967, p. 29).

Closer to home, Professor Robert Baxt of Melbourne University, and now the law firm Freehills, poses an interesting question when he asks ‘to whom is the director’s duty owed?’ (2002, p. 35). In regard to financial matters the High Court of Australia, quoting the Corporations Act of 2001, defines fiduciary duty as the ‘duty to act with fidelity and trust to another’. (Baxt 2002, p. 35) However, Baxt (2002, p. 36) quickly points out that this is understood to mean that ‘the prime duty is to the company, that is, its members.’

### 2.2.4 The Pathological Pursuit of Profit and Power

The above subheading is borrowed from the book, and film, The Corporation (Bakan 2004), in which companies are portrayed as the most powerful class of institution on earth. Bakan (2004) attributes a personality to that entity, which is defective, in fact pathological. The corporation is the heart of capitalism and so this description by Bakan is a fundamental attack on what is seen as a social system gone terribly wrong. Unlike the theory behind democratically elected governments, corporations are not accountable to the whole of society.

In this same book, Nobel Prize winning economist Milton Friedman’s concept of externalities is discussed and Friedman is quoted as defining these as being:

> the effect of a transaction … on a third party who has not consented or played any role in the carrying out of that transaction (Bakan 2004, p. 61).
This concept is not new in much the same way as 'many in the 19th century believed slavery to be an essential element in the economic system' (Dunphy and Griffiths, 1998, p. 203) and hence justifiable, inevitable, and acceptable. Externalities are responsible for countless cases of illness, death, poverty, pollution, and exploitation. In this sense corporate externalities sound remarkably similar to collateral damage, a phrase used in connection with the Vietnam War, and yet again to sanitise civilian casualties during the invasion of Iraq.

There is perhaps no better example of a purely profit-driven approach to business than the calculation that appeared in an internal General Motors memorandum, revealed during the now infamous court case in 1999 concerning safety breaches in connection with accidents involving fuel-fed fires in their vehicles. General Motors' own standards had dictated that fuel tanks should be positioned at least 17 inches from the rear of the vehicle; however, they had gone ahead and designed the 1979 Malibu with a fuel tank only 11 inches from the rear bumper.

Back in 1973 General Motors had requested a report from Edward Ivey, an engineer in its Advanced Design Department on fuel-fed fires—500 of which had already been occurring each year in connection with their vehicles. His report included the following calculation (see in Table 2.1).

### Table 2.1: General Motors' (GM) Cost Evaluation Report

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Value</th>
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<tr>
<td>500 fatalities × <strong>$200,000 per fatality</strong></td>
<td>$2.40 per automobile</td>
</tr>
<tr>
<td>*<strong>41,000,000 automobiles</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Likely number of fatalities.
** Likely compensation.
*** GM vehicles in use in the United States.


The cost to General Motors to avoid fuel-fed fires was estimated to be $8.59 per vehicle. Therefore, the motivation to reduce production costs led to General Motors pursuing the less costly, yet less safe, option of not positioning fuel tanks further from the rear of the vehicle and paying compensation following the deaths of their customers and their passengers (Geyelen, 1999, p.1).

This is the type of corporate behaviour, resulting in negative consequences, which caused the consumer movement of the late 1960s to expand so rapidly. Social reformers moved from civil rights, where considerable gains had been made, and took on the big corporations. The champion of consumerism was Ralph Nader. Building on the earlier work of activists such as Upton Sinclair, social activist and author of *The Jungle* (1906), he established and ran a not-for-profit organisation that met the largest US companies head on.

Over decades Nader acted as advocate for the interests of consumers. He tackled the issue of industrial pollution to the nation’s rivers and lakes, and consumer credit laws. Only a matter of years after commencing his crusade Nader had become a nationally recognised figure. In 1973, a nationwide Harris Poll found that 80% of respondents felt that it was good to have critics like Nader to keep industry on its toes (Martin 2002, p. 138).
Industry groups such as the US Chamber of Commerce, Business Roundtable, National Association of Manufacturers, National Federation of Independent Business and Grocery Manufacturers of America all joined forces in an attempt to stop Nader’s Consumer Protection Agency succeeding with legislation that would strengthen consumer rights (Martin 2002, p. 203).

The battles that “Nader’s Raiders” fought over the years with industry are now legendary. These included wins for the consumer over the automobile industry, pharmaceutical and medical companies, and government bodies such as the Nuclear Regulatory Agency. He even bankrolled other critics of industry, people such as Michael Moore, by funding his first film, Roger and Me, which told of the futile attempts by Moore to interview the then CEO of General Motors, Roger Smith. Consumers were now demanding greater controls over companies, and one of the defining periods of the lessening of corporate power occurred with legislative changes around liability.

The Model Penal Code of 1962, adopted by most US states and which follows Anglo-Welsh principles, held that a corporation could not be charged with an offence. The issue in criminal terms is what is known as “mens rea” and relates to the problem of how an entity, namely the corporation, could intend to commit a crime (Minkes and Minkes, 2000, pp. 17–31). This has partly been resolved by holding the directors or senior management of a corporation liable for the acts of its employees. It has been said that capitalism itself is inherently criminogenic because of the pressures put on managers to produce profits (Minkes and Minkes, 2000, pp. 17–31), which in turn leads to dysfunctional corporate behaviour (Kets De Vries, 1993, p. 245).

It has been argued within the context of organisational theory that it is organisational structure itself, and its search for order and control, that is antithetical to egalitarian aims (Kouzmin, 1980, p. 134). This extends to another concern—that with the emergence of technology, with its promise of yet still greater order and cohesion; yet, in fact, we have seen a further erosion of self-expression and the potential social benefits stemming from this (Kouzmin, 1980, p.138). Conversely one could also say that the internet bestows empowerment, participation, and creativity on the individual. Witness politicians having to go on You Tube sites in the 2007 Australian federal election to get their message across; in this case the ‘masses’ appear to be dictating to the dominant elites.

In Australia corporations also get bad press, however, with a few notable exceptions; James Hardie Industries, in relation to asbestos deaths, possibly being one of these, one tends not to think of Australian companies as Bakan’s ‘murderous psychopaths’. (2004, p. 135). Rather the criticism tends to be directed at the perceived excessive drive for profits and high levels of executive remuneration. However, it is worth remembering that ‘companies don’t make decisions, managers do’ (Kets De Vries, 1991, p. 74) and it is the behaviour of these decision makers that should perhaps be the focus of scrutiny. Kets De Vries talks of ‘alexithymic behaviour’ to describe those leaders cut off from emotional feelings and presiding over ‘compulsive’ and ‘depressive’ organisations. (1993, p. 76) He further describes the narcissistic behaviour of many leaders as contributing to the ‘abuse of power’ (1991, p. 123) leading to ‘organisational decay and loss of reality’ (p. 286).

In relation to the view that corporations and their leaders are often perceived negatively, this study will seek to understand better whether appeasement for damage inflicted on society by corporate greed and the concept of ‘je regrette’ or managerial remorse appears in some instances to be the motivation for corporate giving (Kouzmin et al, 2006, pp. 87–96).
Certainly public discontent with corporations and at times whole industries is strong enough to inspire attempts at appeasement. We see, for example, an increasing tendency within Australian society toward dissatisfaction with the banking industry. The expression “all banks are bastards” has slipped into common usage in Australia with concern at branch closures and heavy-handed mortgagee repossessions despite record profits (Gluyas, 2007, p. 21).

More recently Telstra, Australia’s largest telecommunications company, has also come in for criticism because of concerns over its market size and dominance. The argument is that companies that provide important infrastructure such as banking, telecommunications, or toll ways should be regulated to ensure services are provided to their many users at a reasonable price. That is to say, banks should not close country branches, Telstra should provide telephone and data services to remote regions, and Macquarie Infrastructure and Macquarie Airports Corporation should not gouge the public for its use of a road or an airport.

What corporations are becoming increasingly more mindful of is that when they, as the owners of this infrastructure, fail to live up to our expectations then their reputations are tarnished, resulting in a loss of reputation and social capital. An innate concern of any corporation becoming too dominant is often present in society, with the term ‘corporate gigantism’ being coined to describe the unfettered growth of the whole corporate sector. (Miller, 1969, p. 256) This is further expanded on by Clive Hamilton, Executive Director of the Australian Institute, in the works *Growth Fetish* (2003) and *Affluenza* (2005), in which he highlights the current-day malaise of over consumption and waste often fuelled by corporate advertising.

There are similar concerns about the privatisation of national resources. The most vital of all resources, water, only just missed being privatised in 2007 because of the outrage expressed by a majority of voters when the Federal, New South Wales, and Victorian Governments attempted to sell off the Snowy Mountains Scheme, a primary publicly owned water source. This is but one example strongly suggesting that business is no longer as simple as it once was, and that today’s corporate chiefs cannot afford to ignore the perceptions of their stakeholders and the public at large.

### 2.2.5 Managing Domains

Thompson (1967, p. 26) states that all organisations must establish a ‘domain’. An organisation’s domain identifies the points at which it is dependent on inputs from the environment, which must be carefully managed; the need to manage perception in the markets in which they operate has been known to business for decades. The domain of an organisation always falls short of the total environment, which will be the sum of all domains of all organisations, many of which will overlap (Thompson, 1967, p. 26).

The term ‘task environment’ describes those parts of an environment that are relevant to an organisation’s goal setting and goal attainment (Thompson, 1967, p. 27). The results of any organisation are therefore dependent not only on its core technologies and other internal factors but also upon this matrix of dependencies within its task environment. The relationship between an organisation and its task environment is one of exchange. This concerns both inputs such as raw materials, labour, finance, etc. and also outputs such as interaction with clients. Unless this relationship can be managed to produce benefits from the exchange, it is unlikely that the interaction will be ongoing and sustainable (Thompson, 1967, p. 28).
2.2.6 Domain Consensus
Support is required from numerous points within the task environment. In order for this to occur and support to be offered, those constituent elements such as financiers, shareholders, senior management, clients, etc., all need to see the domain as legitimate. This is known as domain consensus. (Thompson, 1967, p. 28)

Domain consensus defines a set of expectations for stakeholders regarding what an organisation will do and what it will not do. This in turn builds into who it is as an entity and what it stands for. These are often expressed through the creation of vision, mission, and value statements. Interestingly, these may be at odds with how the organisation actually conducts itself; that is, there is incongruency between espoused values and actual values (Perrow, 1972, p. 235).

Both these value sets can alter over time as internal priorities shift due to changing environmental circumstances, such as competitor activity, cost movements, and regulatory changes. This dynamic situation calls for careful domain management from within the company and requires that any outside observer goes well beyond the espoused values to understand fully the true nature of the organisation.

2.2.7 Domain Strategies
One of the major challenges for organisations today is how to avoid becoming subservient to the elements within the task environment. Interdependency certainly exists, however, and an organisation will seek to maintain a power balance with those elements that make up the input and output model in which it operates.

It has been suggested that various actions can be employed to mitigate this risk factor (Thompson, 1967, p. 32–34). These are listed below:

1. Seeking alternatives;
2. Acquiring prestige;
3. Seeking to ensure power relative to those upon whom they depend.

Thompson (1967, p. 35) details the mechanisms employed to achieve these actions, such as the use of cooperative strategies to gain power over the task environment:

1. Contracting;
2. Cooptation;
3. Coalescing.

When an organisation is constrained in one or more sectors of its task environment it will seek to gain power in others. This is brought about by a desire to achieve some degree of self-control through managing the dependencies that will always exist. The manoeuvring of one’s domain, however, is often a complex and costly undertaking and one that is generally avoided. Therefore, finding the optimal point of interaction with each element of the domain is desirable; ideally resulting in power across both input and output sectors.

Thompson states that ‘the gaining of prestige is the cheapest way of gaining power with the added advantage of not requiring the yielding of any power in the process’ (1967, p. 33). Prestige facilitates the maintenance of a favourable image, which is an important way of controlling dependencies and is essentially what would be termed building social capital in today’s corporate speak. It is necessary for any business today to manage its domain so as to maximise its interaction with those constituents.
This has prompted business to keep a watchful eye on what is expected of them as societal trends develop and change to the point where an understanding has developed amongst some that they can turn this to their advantage and that the conflict between doing good and doing well is seen by some to have evaporated.

There is no longer anything to reconcile, if there ever was, between the societal conscience and the profit motive. Improving the quality of society; investing in better employees and customers for tomorrow; is nothing more than another step in the evolutionary process of taking a more far-sighted view on return on investment (Perrow, 1972, p. 215).

2.2.8 Introducing the Principle of Corporate Social Responsibility

The raison d'être of today's large corporations has generally been profit creation, leading to shareholder returns. This singular pursuit requires complex decision making concerning the skilful management of the company’s domain. A delicately balanced relationship exists today between the corporation, its environment, and society. CEOs must be aware of this and hence be prepared to manage multiple stakeholder interests when making decisions that will inevitably affect all three areas (Garten, 2001, p. 10). Collectively, these stakeholders make up the task environment in which the company has chosen to operate. Beyond the wisdom of domain management, stakeholders have their own expectations. One of these is a societal expectation that a corporation today will exhibit behaviour that defines it as a responsible member of society—a good corporate citizen.

This concept has become known as corporate social responsibility or CSR, and requires a company to act in a manner that is noninjurious to the environment and society at large (Porritt, 2005, p. 3). There is also a school of thought that would take this one step further, suggesting that it is insufficient for the corporate sector to simply do no harm and that profit-making companies also have a responsibility to do good (Monbiot, 2003; Laszlo, 2005; Saul, 2005). That is to say a company has broad responsibilities within the society in which it functions. Examples of this include support for the not-for-profit sector via financial sponsorship, goods, and pro bono services (Zukowski, 1998).

Beyond the concept of societal expectation exists the notion that participation in philanthropic activities actually assists the corporation in controlling its domain, and hence can become an important strategy in the maximising of returns to shareholders. Hence this developing relationship between the profit-making and not-for-profit sectors can be seen as a form of domain management.

Thompson (1967, p. 35) sees cooptation as a means for a company to mitigate threats to its stability or existence by incorporating another element into its task environment, thereby giving it greater certainty around future support. This support may not necessarily be confined to the cooptation partner, but if this arrangement is viewed favourably by other stakeholders may indeed lead to greater support from a number of quarters. Increasingly companies are seeing the not-for-profit sector as a valuable cooptation partner. This could even extend to another of Thompson’s (1967, p. 35) strategies—coalescing; actual alliances could be set up between companies and their not-for-profit partners to achieve mutually beneficial outcomes. In this sense there can potentially exist a symbiotic relationship between the two that provides prestige by association to both parties, leading to greater control of the task environment. Several definitions may prove useful in clarifying this concept.
Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources (Kotler and Lee, 2005, p. 3).

Business’ commitment to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. (World Business Council for Sustainable Development, www.wbcsd.org—accessed 28 May 2006)

Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business (Business for Social Responsibility 2003, www.bsr.org—accessed 29 May 2006).

Of course, stated commitment to CSR is one thing and action is another. Therefore, what really matters are the corporate social initiatives that are undertaken by an organisation in pursuit of its commitment to fulfilling its CSR goals. These may include such things as financial donations, in-kind contributions, allocation of staff time, pro bono professional advice, paid advertising, or sponsorships.

Prior to the 1950s, US corporations were restricted by law from making corporate contributions or participating in social issues (Kotler and Lee, 2005). This is somewhat ironic in that the original founders of many of these giant corporations were themselves active philanthropists through their own private foundations.

By the 1960s, the overturning of these restrictions, accompanied by a shift in unwritten codes, had actually led to many US companies feeling the need to demonstrate publicly their commitment to society. Perrow in his landmark work on official and operative goals, The Analysis of Goals in Complex Organisations, includes reference to a third category of corporate goal, namely the social system goals, referring to the contribution made to the social system in which a corporation operates (1961, p. 855). As a result of this shifting view, company statements began to change, with profit being supplemented or even replaced as an objective by commitments to consumers, the personnel of the firm, corporate growth, technological progress, and society in general (Shubick, 1961). Businesses, particularly in the United States, may have had little choice. In 1968 a survey showed that 70% of those surveyed felt that business tried to strike a fair balance between profits and the public interest. By 1977 this number had fallen to 15% (Payne, 2002b, Harvard Business School Working Knowledge, www.hbswk.hbs.edu—accessed 28 August 2007).

Yet this shift of emphasis to a broader social agenda was not universally accepted and was felt by some even to be detrimental to business. One school of thought was that one of the central problems in organisational analysis was the tendency of some organisations to concentrate on activities and program that contribute little to the attainment of their major goals (Warner and Eugene, 1968). Whereas a second school of thought is that corporate goals are simply meant only for public consumption anyway (Etzioni, 1964). However, there was no stopping the move toward CSR policies; an imperative that was heightened in 1989 by the now infamous environmental catastrophe, the Exxon Valdez oil spill, wherein those held responsible were desperate to develop relationships with the environmental sector and counter public perception of environmental vandalism.
By the 1990s consumers had discovered the power of boycotting companies who committed such acts, as occurred in Europe following Royal Dutch Shell’s decision to sink the Brent Star oil rig in the North Sea rather than incur the expense of bringing it back to land to be dismantled. Following this was the negative backlash against Shell Oil after the hanging of Nigerian Ken Saro-Wiwa and eight others who had protested against the building of an oil pipeline through their lands (Klein, 2001, p. 368). Yet global corporations typically have deep pockets and the inevitable response to the implication of the company in social or environmental disasters is often to launch the PR machine (Perrow, 1972, p. 235).

This was also the era of ethical investment funds where companies were given a CSR rating by fund managers. This is sometimes known as the ‘moral market place’ factor (Dunfee, 1998, p. 127). Publicly listed companies were now starting to sit up and take notice as investment decisions were now being made not just on the highest rate of return but on a combination of likely dividends and the reputation of the company for acting in a manner that conformed to society’s new norms. Societal contracts between the corporations and the community had always existed in some subtle form but they were now centre stage. A significant shift had started to occur. Carly Forina, former CEO Hewlett Packard had this to say at their Annual Conference in 2003. (Kotler and Lee, 2005, p. 1)

For many years, community development goals were philanthropic activities that were seen as separate from business objectives, not fundamental to them; doing well and doing good were seen as separate pursuits.

Jim Cantalupo, CEO McDonalds, followed up with this statement at their One Year Global Update in 2003 (Kotler and Lee, 2005, p. 7). Social responsibility is not just a program that begins and ends….It’s an ongoing commitment.

These statements, particularly the latter, illustrate a considerable shift from the sentiments expressed in the ‘hose-down-the-throat’ quotation from the former CEO of McDonalds cited previously, and is one small example of how mainstream a stated commitment to CSR has become.

However, CSR also has its critics. Gary Johns of the Australian Institute of Public Affairs is amongst them. When addressing the “CSR in Focus” Conference in Melbourne in 2005, he stated:

Corporate social responsibility is a political ideology that wants private interests to be subsumed by public interests, narrowly defined. CSR views corporations as a forum to resolve societal problems. If every problem is your corporation’s problem, then you have a problem! (Johns, 2005, p. 1)

2.2.9 Corporate Responsibility within an Australian Context

A check of the websites of the top corporations in Australia quickly reinforces the now mainstream nature of CSR agendas for these companies. CSR may have been born and grew up in the US but it’s alive and well in Australia. Many large companies such as ANZ, NAB, CBA, and Optus, all talk about their CSR program and community involvement on their home page, and with Westpac, BHP Billiton, and Telstra it is just one click away (based on websites accessed 1 January 2008).
The St James Ethics Centre publishes an annual Corporate Responsibility Index (Corporate Responsibility Index 2007, www.corporate-responsibility.com.au—accessed 1 June 2008), in which corporations conducting business in Australia are invited to participate. The value for the participating company is in being able to benchmark its efforts and progress against others and, if scoring well, presumably to reap the rewards of good publicity. The Director of the Centre, Dr Simon Longstaff, sees the annual survey as ‘a management tool, a roadmap for building sustainable prosperity’ (Longstaff, 2007a, p. 1).

Westpac had been rated most highly for each of the four years of the survey, up until the 2007 survey and has now joined the CRI Leaders Network along with BHP Billiton, ANZ and Toyota which aims to assist others in developing responsible practices. Issues measured within the survey: occupational health and safety, product health and safety, diversity, work–life balance, work relations, labour rights, employee engagement, community investment, bio diversity, climate change, and waste and resource management. Energy Australia, Minter Ellison, Fosters and ANZ also received high overall ratings in the 2007 survey (www.corporate-responsibility.com.au—accessed 1 June 2008).

Although the overall average rating was marginally down on the previous survey, from 85.3% to 83.3%, this year companies were permitted to participate without having their results made public, which may have affected the overall result. This encouraged greater participation from companies that may have been aware that they had some work to do, but that were keen to establish a benchmark, albeit unpublished.

Yet, the Corporate Responsibility Index measures more than simply a company’s community engagement; this is one aspect and may also flow into other areas such as employee engagement and environmental standards. Nevertheless, the survey is not without its critics, with Gary Johns from the Institute of Public Affairs stating that:

The index is poorly administered, lacks objectivity and confuses reputation with performance. The index is a tool in a campaign against the corporation and its freedom to promote its corporate objectives (Johns, 2003, p. 1).

2.2.10 Managing Public Expectations
Lynn Sharp Payne, author of Value Shift (2002a), notes that expectations for corporate behaviour are constantly evolving. She suggests that conduct that may have been ethically acceptable in one era can, as expectations rise, be deemed not to be so in another. Corporations in Australia are no different to those the world over in that they have realised that they cannot ignore public expectations or perceptions of the way they do business. Once the domain of political parties seeking to understand voter intentions better, corporations are now increasingly monitoring public opinion as a guide to purchasing intentions. Crosby Textor, the principal Liberal Party research firm, now produces a corporate governance research report called Corporate Pulse that provides insight into changing public opinions. Mark Textor, Joint Managing Director of Crosby Textor, states:

The community is looking for large corporations in Australia to practically demonstrate that they are doing business in a way that is honest, has integrity and is being lead [sic] by a diligent board (Textor 2004, p. 1).
Vast differences between executive salaries and those of ordinary workers do not help the perception of corporations and of their boards in particular. This was highlighted recently with the publication of the annual salaries of the senior management at Australia’s Macquarie Bank (Washington, 2007). Even by the standards of their peers these executives are extremely well-paid and this stands in stark contrast to the relatively small figure of $A8.5 million that the bank provided to its Macquarie Bank Foundation in 2006/07. These salaries are listed in Table 2.2.

Table 2.2: Salaries of Macquarie Bank Top Executives, 2007

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Salary ($A million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive</td>
<td>Alan Moss</td>
<td>33.5</td>
</tr>
<tr>
<td>Chief of Investment Banking</td>
<td>Nicholas Moore</td>
<td>32.9</td>
</tr>
<tr>
<td>Property Head</td>
<td>Bill Moss</td>
<td>30.6</td>
</tr>
<tr>
<td>Corporate Finance Head</td>
<td>Michael Carapiet</td>
<td>22.9</td>
</tr>
</tbody>
</table>


In Australia, Moss and Moore might make say $A600 million in their lifetime but this is small potatoes compared to Carnegie who reportedly made $US25 million in 1900 alone, or $A600 million in today’s terms. By 1913 Rockefeller had accumulated US$900 million; converted to ‘modern-day’ Australian dollars this equates to $A18.3 billion adjusted for cost of living increases (Kohler 2007, p. 45). There is no public record of whether they gave any of this away. However, at times it would appear to be more lucrative to fail than to succeed. One issue creating concern in the United States is the level of payouts that executives receive when exiting the company after failing to create shareholder value (see Table 2.3).

Table 2.3: Top Ten Payouts for US Corporate Executives

<table>
<thead>
<tr>
<th>Company</th>
<th>Executive</th>
<th>Year</th>
<th>Payout (est. US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exxon Mobil Corp</td>
<td>Lee Raymond</td>
<td>2006</td>
<td>351</td>
</tr>
<tr>
<td>Pfizer Inc.</td>
<td>Hank McKin nell</td>
<td>2006</td>
<td>213</td>
</tr>
<tr>
<td>Home Depot Inc.</td>
<td>Robert Nardelli</td>
<td>2007</td>
<td>210</td>
</tr>
<tr>
<td>Gillette Co.</td>
<td>James Kits</td>
<td>2005</td>
<td>165</td>
</tr>
<tr>
<td>Merrill Lynch &amp; Co.</td>
<td>Stanley O’Neal</td>
<td>2007</td>
<td>161</td>
</tr>
<tr>
<td>United Health Group</td>
<td>William McGuire</td>
<td>2006</td>
<td>153</td>
</tr>
<tr>
<td>Well Point Health Network</td>
<td>Leonard Schaeffer</td>
<td>2005</td>
<td>137</td>
</tr>
<tr>
<td>South Trust Bank</td>
<td>Wallace Malone</td>
<td>2006</td>
<td>135</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Philip Purcell</td>
<td>2005</td>
<td>94</td>
</tr>
<tr>
<td>Conseco Inc.</td>
<td>Stephen Hilbert</td>
<td>2000</td>
<td>72</td>
</tr>
</tbody>
</table>


In its report into Australian companies titled “Companies Perceived as Profitable but Work Needed on Community Integrity” (Textor, 2004; also Crosby Textor, 2004) Crosby Textor’s research found a considerable discrepancy between what those surveyed believed to be important and what they perceived Australian companies performance to be. A scale of 0 to 10 was used, with 0 equating to “not describes large corporations in Australia at all” and 10 equating to the attribute “describes large corporations in Australia perfectly” Honestly and integrity rated most highly, with 85% of people surveyed rating this as extremely important having given it either 9 or 10 in their response. Yet, only 38% of those surveyed rated its performance as being even in the top half of the scale; that is receiving a rating of between 6 and 10.
In 2005 David Birch, Director of the Corporate Citizenship Unit at Deakin University in Melbourne, made the following point: ‘If then, the surveys are right, there is a major erosion of trust in business taking place’ (Birch, 2005).

The two attributes of corporate governance specific to this research study where company “performance” rating exceeded “importance” rating, shown in the Crosby Textor report, are listed in Table 2.4. Full results are shown in Appendix 1.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Importance</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsoring of Community and Sporting Events</td>
<td>30%</td>
<td>52%</td>
</tr>
<tr>
<td>Donating Money to Charity</td>
<td>31%</td>
<td>37%</td>
</tr>
</tbody>
</table>


In 2007, an election year, it was particularly interesting to evaluate the level of trust that the community had in various organisations. The presentation Trust at the Crossroads in Australia (Edelman, 2007) surveyed 140 people in 40 face-to-face interviews. When participants were asked how much they trusted each group to do the right thing, it was found that ‘business’ was rated the lowest against government bodies, NGOs or nongovernment not-for-profit organisations, and the media. In fact, the level of trust in government bodies was nearly twice that of trust in business. Specifically, in regard to environmental concerns, 92% of those surveyed believed that companies should be doing more to reduce the impact of climate change, with 79% saying they would pay more for products or services from a company that was demonstrating this commitment (Edelman, 2007).

2.2.11 Stakeholder Responsibilities
The CEO of today has to juggle many balls, serve many masters, and still make a profit. It is all very well to conform to the new norms of society and meet or exceed public expectations by demonstrating a broad commitment to the community in which a business operates, but this has to be achieved without taking the eye off the ball of producing a return for the shareholders.

Over time the concept of stakeholders or interested parties beyond simply the business owners has developed. In corporate terms a stakeholder can be anyone who is materially concerned with the welfare of the company. A publicly listed company may have stakeholders as diverse as employees, board members, shareholders, suppliers, subcontractors, the stock exchange, government regulators, its customers, and the community at large.

In the early 1980s around half of the states in the United States brought into being laws that permitted managers to take into account stakeholders beyond the company’s stockholders. In 1985 in Britain the Companies Act forced directors to consider the needs of employees as well as shareholders (Micklethwait and Wooldridge, 2003). In his paper “The New Economics of Organisation” Moe (1984, p. 9) quotes a number of authors who all posit different reasons for an organisation’s existence. Amongst the explanations advanced are ‘sales’, ‘growth’, ‘the use of discretionary resources by managers’, ‘employee satisfaction’, and challenges the neoclassical view of profit maximisation by replacing it with the notion of the firm moving toward a utility function. He goes on to describe the corporation of the day as being one involving multiple principals and agents exhibiting competition and cooperation with diverse individual goals.
In his article “Public Organization Environments”, Viteritti (1990, pp. 425–451) poses the interesting question as to whether companies have clients or constituents; the latter suggesting a certain level of obligation. What if not just clients, but all stakeholders, were constituents? What if a company had obligations and responsibilities to everyone, in a similar fashion to that of a government? On a more philosophical note, what if we are all connected and have a reciprocal responsibility to each other?

Whatever the answer to these questions, one thing is for sure, and that is that the public are increasingly becoming ‘hard markers’ when deciding who to invest with, who to buy from, and who to work for. Companies that ignore this pay a price (Longstaff, 2007a). Recent examples where the myopic self-interest of a few directors dominated the thinking of the company and led to its demise are Enron, Arthur Andersen, and WorldCom in the United States, and HIH and One Tel here.

No matter what the state of the corporate sector today it would be difficult to argue that progress toward higher principles of morality and ethical behaviour have not occurred since the days in which large, so-called respected, companies engaged openly in slave trading and warfare to further their profit-seeking aims (Micklethwait and Wooldridge, 2003). Albeit, it is often suggested that governments today perform this latter function on behalf of global corporations in order to further the corporations’ desires for greater and greater profits (Chomsky, 2003; Klein, 2007).

A 1988 US study of the views of institutional shareholders and individual shareholders concerning corporate philanthropy found a consensus that corporations should engage in philanthropic practices. Little difference was found between the attitudes of each group, and the study concluded that businesses need to be both economically productive and socially responsive (Corcoran, 1987).

2.2.12 Companies Exist to Make Profits

Counter to the concept of community engagement is the view that to support the not-for-profit sector is an irresponsible use of company funds. The argument is that these funds should be distributed to shareholders as increased dividends and that for a publicly listed company to engage in philanthropic activities is nothing more than shareholder theft. This view was promoted by Milton Friedman, quoted earlier, Stan Mather of the Australian Shareholders’ Association and Garry Johns of the Institute of Public Affairs in Australia.

If you invest in a property, you might well decided that you’d like a real estate agent manage it for you. But if that real estate agent were to make a deduction from the rent for various causes which he thinks are appropriate, you might get a little disturbed about that…(Liffman et al, 2001 p. 5).

The owners have an exclusive moral claim to the benefits produced by their activities, as others have a moral claim for the benefits produced by their labour or other contracted services (Johns, 2003, p. 4).

This position ignores potential benefits to the donor organisation through its association with the not-for-profit sector. Here the corporation is seen as motivated by pure altruism and as naively adopting a “bleeding heart” position rather than that of a skilful domain manager. The undue influence of one or two senior executives within an organisation or even the influence of executive’s spouses is sometime raised in connection with this perceived inappropriate corporate giving.
2.3 Parent Discipline 2: The Not-for-Profit Organisation

2.3.1 Background
Individual acts of giving, the more structured forms of organised giving and recipient bodies have existed for thousands of years and have been addressed by various terminologies. Perhaps the most common is the use of the terms charity and charitable organisation. The charity as we know it in Australia today has its origins in 19th-century England with an array of religious, political, and social influences at its heart. Today, in the United States, this sector is thought to be responsible for revenues of US$700 billion and in control of assets valued at US$2 trillion.

Virtually all of the world’s religions preach the virtue, if not necessity, of giving to those in need. Today the entire not-for-profit sector is far broader than organisations affiliated with religious bodies, and not-for-profit organisations are not necessarily established for charitable purposes. It is interesting, nonetheless, to understand the origins of formalised giving especially over the last 150 years or so (Wei-Skillern, 2008; www.hbskw.hbs.edu—accessed 10 February 2008).

2.3.2 Charitable Giving: An Historical Overview
Early references to charitable giving include that of Moses advocating tithing some 3,500 years ago. This was the practice of donating 10% of the harvest to the Lord via the prevailing religious structure; thereby laying a very early foundation to the strong tradition of philanthropy within the Jewish religion. There is also an historical reference to the Babylonian king Hammurabai exhorting his subjects to ‘see that justice be done to widows, orphans and the poor’ (www.auscharity.org—accessed 13 May 2007).

Chinese philosopher Confucius, who lived between 551 BC and 478 BC wrote ‘he who wishes to secure the good of others has already secured his own' (www.auscharity.org—accessed 13 May 2007). In Ancient Greece, the philosopher Plato bequeathed land to his students so they could maintain his academy, and it is known that state-sanctioned institutions were set up to aid the poor, infirm, and disadvantaged (www.auscharity.org—accessed 13 May 2007). More recently, Benjamin Franklin in 1790 bequeathed money to be lent to young married officers of good character and in 1846 James Smithson’s bequest led to the establishment of the famed Smithsonian Institute.

The concept of philanthropy or charitable giving has existed in most cultures and some historical examples have been demonstrated previously. Two of the countries that have perhaps had the most profound influence on giving within an Australian context are the United Kingdom and the United States. Brief histories of each, along with the early foundations of philanthropy in Australia, are listed below.

1. United Kingdom
The earliest records of charities in Britain appear around 900 years ago with the establishment of the Hospital of St Cross by a grandson of William the Conqueror, Bishop Henry de Bois. Amazingly this institution founded in 1136 still operates, providing aid for older people and passing travellers in the form of bread and ale. (Fowler, 2001)

Prior to the 19th century, charities were largely established following bequests made in the wills of the wealthy such as merchants. Even today many towns still have alms houses providing housing and care for the elderly.
The pattern that emerged was that London and the towns with cathedrals or large markets were well catered for but initially not so the new industrial centres. Towards the end of the 18th century charities took on a more structured form, raising donations and subscriptions often aided by the belief of the day that it was Christian to provide for those less fortunate.

The size of the charities that were established varied enormously as did the causes that they supported. One of the largest was the RSPCA (Royal Society for the Prevention of Cruelty to Animals) established in 1824, and by the end of the 19th century its branches numbered more than one hundred and fifty across Britain with an additional thousand local auxiliaries. Others were smaller locally based. Their names also tended to reflect the nature of their work. One of the more interesting examples uncovered in this research was the Manchester Society for Relieving Really Distressed Foreigners. (Fowler, 2001)

Although charities had largely been Christian-based until that time, the mid-19th century saw the rise of a number of individuals whose views operated just outside that of the orthodox churches. Concern with the inequality of the classes manifest as the great divide between rich and poor fuelled much of the motivation for social reform. One such social reformer was Thomas Carlyle (1795–1881) who championed a revolt against utilitarianism and spoke of the spiritual and material sterility of modern society. He advocated a focus on individual character and propagated a philosophy of all people being bound together whether rich or poor (Carson, 1990).

Yet another reformer of the day was John Ruskin (1819–1900) whose emphasis was on an aesthetic revolution, and who with workshops and art classes open to all pursued similar aims of creating greater equality. What set these social reformers apart from the mainstream church and what was at the heart of their motivation to help those less fortunate was their view of the nobility of individual character, the idealised human spirit, rather than being driven by the conventional religious imperative of the day.

Octavia Hill (1838–1912) was another reformer, whose work centred on the purchase and renovation of old tenements and the establishment of housing for the urban poor. She levied rents with strict requirements for payment yet turned much of the money back into improvements for the tenants and even the establishment of sewing circles for them to produce a sense of pride and self-sufficiency rather than the potentially long-term demoralising effects of charity.

The establishment of these organisations not only aided the disadvantaged but also provided an interesting, new social phenomenon: the high involvement of women in the work force, albeit within a not-for-profit environment. It is estimated that by the end of the 19th century around 20,000 women worked full time within charitable organisations and ~500,000 part time (Fowler, 2001).

The Charity Organisation Society (COS) of 1869 grew out of the amalgamation of a number of smaller charities and became a significant provider of help to combat pauperism. They drew a distinction between beggars and the deserving poor and judiciously assessed each applicant who came for assistance. It is this organisation which is attributed with first using the term ‘case’ within the realms of social work (Carson, 1990). One significant shift in the late 1800s was the establishment of the Settlement Movement. Founded by Anglican clergyman, Samuel Barnett, and a group of young Oxford men, it sought to overcome the perceived deficiencies for the poor in the East End of London.
Services were currently provided by the church and the COS but it was felt that they were not focused on breaking down class barriers and that this was a vital part of any humanitarian work. They were motivated in part by what they themselves would achieve from their work with the poor speaking in terms of achieving fuller lives and uplifting interactions between rich and poor (Carson, 1990).

Disaster funds started appearing to aid the families and survivors of mining accidents; such a fund was even established in 1912 follow the sinking of the Titanic. Assistance for the poor and those effected by disasters was still primarily the role of charitable organisations funded by individual donations and of the government (Fowler, 2001).

2. United States
The settlement movement of Britain soon found its way to the United States. Early reformers worked against a background of urban and industrial ugliness filled with social problems of inequality of wealth, lack of housing for many, and employment problems. Yet society was changing and the middle class had prospered, post the American Civil War, in a climate which saw educational facilities increase five fold between 1860 and 1900 (Carson, 1990). This new educated and technologically advanced society began to challenge the class values of 19th-century England. The Settlement Movement of the United States valued education, entrepreneurship, and the seizing of opportunities unencumbered by the baggage of Victorian England. With the spirit of enterprise they grew rapidly initially with facilities established in Boston, New York, and Chicago, and then beyond.

What was once known as English Christian Socialism became known as Applied Christian Socialism or Social Gospel work to highlight its social service agenda. Reformers such as Robert Wood, Christian philosopher Julius Seelye, and John Elliott—an ethical culture teacher who established the Hudson Guild—were all prominent figures within this field. The social reformers of this era had to wrestle with the many religious, social, and political influences on the society of the time and from their pasts. These included the austerity of Calvinism, the influences of the early Fabians, and even the labour reforms of Karl Marx in order to set the frameworks through which they would administer their work, which became known as the ‘new view’ of poverty (Bremner, 1956, p. 123).

3. Australia
The Benevolent Society is attributed with the distinction of being the first formally established charity in Australia under the original name of ‘The NSW Society for Promoting Christian Knowledge and Benevolence in These Territories and the Neighbouring Islands’. The society was established in 1813, 25 years after white settlement. Its main activity was the propagation of the Christian faith via missionary work; however, Governor Macquarie leant on them to focus on the alleviation of poverty and distress within the current colony (Judd and Robinson, 2006).

This was followed by the establishment of various district nursing services in 1820, the opening of asylums for the infirm, aged, blind, and poor in 1821, and maternity hospitals in 1866. The Sydney City Mission was established in 1862 to address poverty and was followed shortly after by missions in Brisbane and Adelaide. The Vincent de Paul commenced operations in Sydney in 1881 and has grown to be one of the largest and most respected charities still operating today. As regards a focus specifically on women’s health the first hospital dedicated to the medical care of women, was the Women’s Hospital established in 1901 (Judd and Robinson, 2006).
Many current high-profile organisations within the third sector, were established relatively recently. In the case of Community Aid Abroad, now known as Oxfam, this was founded in the 1950’s while World Vision as recently as 1966. This term ‘third sector’ is now commonly applied to the not-for-profit sector to both distinguish it from the government and private sectors and also to highlight its size. The organisations that comprise this sector now number some 700,000 in Australia (Department of Family and Community Services, 2005).

As the name suggests they are distinguished by the fact that they plough their surplus funds, over and above operating expenses, back into their company and its cause. They do not have shareholders and there are no profit-sharing schemes for employees. Organisations operating within these parameters are as diverse as charities, sporting and community clubs, artistic companies, student newspapers, ethnic associations, and environmental groups. There are literally thousands of charities in Australia (Arnett 2006, p. 1).

Most organisations within this sector require financial assistance to carry out their work. In some cases donations may be the only means of funding. In others, especially in the artistic world, donations would serve to supplement the commercial aspects of their operation such as in the case of Opera Australia, the Sydney Theatre Company, and the Melbourne Symphony Orchestra to draw from the Australian context. Interestingly at times established profit-making artistic organisations will support the not-for-profit sector such as the donating of tickets by Cirque de Soleil to Oxfam for resale as a fund raising mechanism. In the case of the Scouting Movement, financial donations are supplemented with work carried on a commercial basis such as the contract delivery of telephone directories for Sensis. Other not-for-profits are rewarded by donors for not charging for the vital work that they do. Surf Life Saving Australia is a good example of this.

A small group of not-for-profits do not necessarily seek financial support from outside, and do not want to be labelled as a charity, seeing the term as derogatory. Their preference is to develop self-sufficiency through earned-income strategies (Robinson 2002, p. 11). These have been excluded from this research, which will focus on the interaction between those not-for-profits seeking outside funding.

2.3.3 Defining Philanthropy
Charity, philanthropy, corporate philanthropy, and corporate social investment are all terms that get used when considering this subject matter (Wright, 2002). The following definitions have been accepted for the purposes of this study. Charity as ‘a gift provided with no expectation beyond the alleviation of immediate need’ (Tracey 2003, p. 3). The *Australian Concise Oxford Dictionary* defines philanthropy as: ‘love of mankind; practical benevolence’ (1987, p. 818). Philanthropy Australia, the peak body representing those who give to the community, uses the following definitions:


> Corporate philanthropy ... includes cash and in-kind donation; donation of professional expertise; companies encouraging their staff to give; volunteer support to community activities; as well as companies forming more strategic planned partnerships and alliances with community based organisations (Elder and Meadows, 2000, p. 8).
Some draw a distinction between charity and philanthropy by suggesting that what we give to alleviate the need, suffering, and sorrow of others, whether we know them or not, is charity. What we give to prevent and correct issues such as social and environmental problems and improve life and living conditions for people or creatures we do not know is philanthropy (Bremner, 1996). Concern with the outcome of giving appears to be the main difference in these two definitions.

The expression ‘social investment’ is also often used and Denis Tracey (2003, p. 5), Assistant Director of the Asia Pacific Centre for Philanthropy and Social Investment, suggests that social investment is an act of giving that encompasses a more thoughtful or strategic approach, designed to build capacity in the recipient, and is generally based on ‘the idea that both the donor and the recipient will receive some benefit’ (Tracey, 2003, p. 5). This has been accepted for the purpose of this study.

Here we see the notion that there may be an expectation of a return on the investment from the corporate donor, and some would argue that for philanthropy to truly be considered under the banner of corporate social investment it must have also entered the fabric of the company and be a defining part of its culture (Tracey, 2003, p. 5). Tracey discusses the internal mindset required within the company thus:

> Corporate social investment occurs when a corporation integrates into its operations and decision making processes social, financial, environmental, ethical and philanthropic values, to ensure that its practices meet or go beyond society’s expectations of business. (2006, p. 15)

The lines between social investment and acts of charity without strategic intent are blurred, and it is not uncommon for a company to engage in both, albeit often preferring the vehicle of a trust or foundation for purely philanthropic giving. The study itself will attempt to bring greater clarity to this range of giving and its various motivations.

Some organisations that will be studied in this thesis may seek a return on investment whereas others may not on all occasions. Some will have integrated their giving into the culture of the company, others may not have. Acts of charity without strategic intent such as matched-giving program will also be mentioned from time to time in the course of discussions. Terminology also tends to differ country by country, with the term “corporate giving” being favoured in the United States, whereas in the United Kingdom “corporate community involvement” and “corporate community investment” are more commonly used. Yet many similarities exist as regards the act of giving across these three regions. (Liffman & Tracey, 2005)

It is perhaps also important to differentiate “corporate citizenship” from being involved in corporate social investment. The former involves an organisation conducting its activities against an internal or societal code of ethical conduct. The latter is a specific act of giving.

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2 Denis Tracey kindly invited the researcher to a Marmodes Society evening on 14 August 2007. Here I had an interesting conversation with the General Manager of the Melbourne Lord Mayors Charitable Fund, Leigh Wallace, where he made the point that he did not like the term “corporate” in the phrase corporate social investment, as it excluded small business and skewed the discussion toward the top end of town. He reminded me that by dollar value small business gave far more to the not-for-profit sector than did large corporates, and stated a preference for the term “business social investment”.

30
In summary, for the purpose of this study, when a company engages in charitable acts that are aimed at alleviation of suffering or the building of capacity within the recipient, without overt focus on its own benefit, we will call this corporate philanthropy. The term corporate social investment will be used when there would seem to be benefits, or a return on investment, sought by the donor organisation.

2.3.4 Philanthropic Traditions
Virtually all of the world’s religions advocate acts of charity toward those less fortunate with some even advocating specific amounts that are recommended to be donated—such as the ancient Hebrew practise of tithing (Meyer, 1978, p. 10). Research has been conducted into philanthropic practices in a number of countries including the United Kingdom (Institute for Public Policy Research, 2001), China (M. M. Smith, 1992), and Japan (Nippon Keidanren, 2001-07, www.keidanren.org.jp—accessed 8 April 2008), to name just a few.

However, it is still the United States that has the most pronounced history of philanthropic practice. Literature exists suggesting that individual philanthropy was actively pursued in the mid-to-late 19th century (Story, 1980). It appears to have grown out of the earlier work of charitable organisations as individuals became wealthier through the tremendous industrial growth of the United States.

This practice really came to prominence with the early industrialists such as Carnegie, yet has continued through to a broad spectrum of modern-day philanthropists. It is thought that in 1913 the Carnegie Corporation may have spent more on education than the US Government (Whitaker, 1979, p. 46). Yet corporate philanthropy on a broad scale really only appeared on the scene in the early 1950s with little to write about prior to this (Andrews, 1952).

It has been steadily building however and by 2000 the Rockefeller Foundation had an endowment which had reached US$3.5 billion, donating US$197 million in that year. In the same year the Bill and Melinda Gates Foundation had an endowment of US$21 billion. In 2001 there were believed to be 55,000 private foundations, which donated a total of US$55 billion—an increase of 5% over the previous year (Tracey, 2003, p. 7).

Research in the United States into all aspects of philanthropy has been extensive. It has probed into the tightest niches one might imagine. It has dissected the issue of participation along racial lines (Davis, 2007) and along gender lines (Shoemaker 2001); specifically by women (Fischer, 1992; Parsons, 2004), African American women (Shelton, 2003), and Jewish women (Kaye, 2004); by African American churches (Benson, 1995); small business owners (McElvey, 1995); athletes (Selig, 1999); and symphony patrons (Janicki, 2005). Researchers have even attempted to plot future giving patterns amongst American teenagers (Joos, 2003) and have studied the transmission of philanthropic values from parent to child (Heymen, 2005).

Ostrower (1995, p. 8) suggests that philanthropy is seen by those who participate as a defining element in their status as elites, or those who have arrived on the social register, and as an aid to building social networks, which could be likened to the term “social capital” used by Robert Putnam in his 1995 paper “Bowling Alone: America’s Declining Social Capital”. In the absence of a true upper class in American society, philanthropy has been seen as one way to separate oneself from the middle classes. That is to say, social snobbery is one of the strongest motivators, as philanthropy is seen as a mark of class (Ostrower, 1995, p. 8).
Ostrower (1995, p. 50) further points to cultural, religious, and ethnic traditions as determining factors, with many donors alluding to a sense of responsibility and the strong sense of fulfilment that giving provides them with. One thing that appears to be evident is that patterns are changing and that there is a broadening of participation in philanthropic pursuits (Himmelstein, 1997, p. 5).

One explanation advanced by Doug Mitchell, Chancellor of Swinburne University, for the difference in participation rates and interest between philanthropy in the United States and in Australia is in the greater sense of patriotism that exists within the average American that may well have been even further developed by the events of September 11 (Tracey, 2003, p. 11).

2.3.5 Personal Philanthropy Versus Corporate Philanthropy

Although it is true that the tradition of great philanthropists is firmly rooted in the United States (Payton, 1988), Australia also has a history of individuals who felt disposed to give large amounts of money away to what they felt were worthy causes. The National Gallery of Victoria benefited in no small part from the generosity of Melbourne businessman Alfred Felton, whose bequest in 1904 allowed for the acquisition of much of the 18th and 19th century art that is seen hanging in the gallery today.

Russian emigrant Sidney Myer, who also settled in Melbourne, is perhaps the best known Australian philanthropist. He donated considerable sums of money during his lifetime and has continued to benefit society through the Sidney Myer Fund, established in 1934, when at the time of his death in 1959 he set up the Myer Foundation with one tenth of his estate. Donations from both have totalled nearly $A100 million since their inception (Tracey, 2003).

Today, the CEO of Visy Industries, Dick Pratt, another Melbourne-based businessman, is considered one of the most generous philanthropists in Australia. Although The Pratt Foundation donated more than any other foundation, a recent finding by the Australian Competition and Consumer Commission that Dick Pratt participated in a price-fixing cartel with his chief rival, Amcor Packaging (Durrie, 2007), may have, in part at least, explained his increased capacity to give.

Philanthropy of all kinds is becoming more and more formalised and institutionalised with the rise of corporate giving to the not-for-profit sector. This is thought to have doubled in Australia in the last 10 years (Carruthers, 2006, p. 51) and there has been a growing trend toward the creation of foundations, both private and corporate. The disbursements of the largest foundations in Australia are listed for the financial year 2006/07 in Table 2.5.

One aspect that frustrates those who study or promote philanthropy in Australia is the lack of accurate data.

...no one can accurately say how big Australian philanthropy is. There is no requirement under Australian law to disclose the existence of a trust or foundation, and a lot of giving goes unreported, or at least unquantified. (Liffman & Tracey, 2005, p. 1).

A good example of this is philanthropy practised in Australia by billionaire US philanthropist Chuck Feeney through his foundation Atlantic Philanthropies. He admits to donating over $A250 million but prefers anonymity (Healy, 2004).
Table 2.5: Annual Disbursements - Largest Foundations in Australia, 2006/07

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Foundation</th>
<th>Annual Disbursement ($A million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Pratt Foundation</td>
<td>13.0</td>
</tr>
<tr>
<td>2</td>
<td>Ian Potter Foundation</td>
<td>9.0</td>
</tr>
<tr>
<td>3</td>
<td>Macquarie Bank Foundation</td>
<td>8.5</td>
</tr>
<tr>
<td>4</td>
<td>S&amp;V Viertel Charitable Foundation</td>
<td>8.0</td>
</tr>
<tr>
<td>5</td>
<td>Colonial Foundation Trust</td>
<td>7.0</td>
</tr>
<tr>
<td>6</td>
<td>Myer Foundation/Sidney Myer Fund</td>
<td>6.3</td>
</tr>
<tr>
<td>7</td>
<td>Jack Brockhoff Foundation</td>
<td>5.0</td>
</tr>
<tr>
<td>8</td>
<td>Vincent Fairfax Family Foundation</td>
<td>5.0</td>
</tr>
<tr>
<td>9</td>
<td>Foundation for Young Australians</td>
<td>4.8</td>
</tr>
<tr>
<td>10</td>
<td>Helen Macpherson Smith Trust</td>
<td>4.6</td>
</tr>
<tr>
<td>11</td>
<td>Telstra Foundation</td>
<td>4.2</td>
</tr>
<tr>
<td>12</td>
<td>R. E. Ross Trust</td>
<td>4.1</td>
</tr>
<tr>
<td>13</td>
<td>AMP Foundation</td>
<td>4.0</td>
</tr>
<tr>
<td>14</td>
<td>Geoffrey Gardner Dairy Foundation</td>
<td>3.5</td>
</tr>
<tr>
<td>15</td>
<td>William Buckland Foundation</td>
<td>3.2</td>
</tr>
</tbody>
</table>


Without leaping to moral judgement, an interesting observation is that Macquarie Bank, though donating $A8.5 million, paid its four most senior managers nearly $A120 million in the same financial year, raising concerns for many people about the ever widening gap between executives’ salaries and those of workers (Korporaal 2007; Washington 2007).

In September 2007 it was reported that Andrew Forrest, the CEO of Fortescue Metals Group, had gifted shares and options worth $A80 million to the Australian Children’s Trust—a charity he had established in 2001 with his wife (www.abc.net.au, 20 September 2007—accessed 21 October 2007). This is the largest amount ever provided for a charitable trust in Australia. On 29 December 2007 Fortescue’s share price rose by 17% in a single day, thereby propelling the value to around $A926 million, well beyond the original amount.

Philanthropy is commonly associated with the motivations of private foundations and individuals and this source of giving has been facilitated lately with the creation of tax-effective Prescribed Private Funds. These vehicles allow an individual to receive a tax deduction by moving income into the prescribed private fund, yet delay the distribution of these funds to the tax-deductible institution until a later date. The benefit of this is that it allows the individual time to perform greater due diligence on where he or she would like to direct his or her donations.

As indicated in the Giving Australia report (Department of Family and Community Services, 2005), there is an increasing trend toward corporate social investment in Australia. The report estimates that the donations of money, goods, and services to not-for-profit organisations both by individuals and businesses totals $A11 billion and comes from two main sources:

1. Individuals: $A7.7 billion donated by 87% of the Australian population.
2. Businesses: $A3.3 billion donated by 67% of the business population.
2.3.6 Religious-Based Philanthropy

Most religions will contain some instruction to practitioners around giving to those less fortunate. This is a strong ethos of the Jewish religion appearing throughout the Old Testament, and certainly the Christian New Testament contains numerous references. The Buddhist and Hindu texts are renowned for their instruction in the reciprocal effects of giving; that is, earning the giver “good karma” or good merit in this life time or the next. Philanthropy and charity are also central tenets of Islam, encompassing such concepts as Zakat (an obligatory contribution), Sadaqah (voluntary giving), Kaffara (penitential giving), Khoms (obligatory giving by Shia Muslims), and Waqf (or the establishment of a foundation (Tracey, 2006, p. 12).

In his unpublished manuscript, *How Christian Ideas Influence Corporate Social Investing in Australia*, Tracey (2006) also talks of ‘godless giving’ (p. 14). He recounts a conversation between Kerry Packer, then Australia’s richest man, and his son James, following a near-fatal heart attack, in which he is reported to have said ‘Son, I’ve been to the other side. There’s nothing there. And do you know what that means? You can do whatever you f---ing like!’ This raises an interesting question as regards motive. One can perhaps fairly easily understand why a Christian, Jew, or Muslim may give their money away but why an agnostic or atheist?

In their article “Morality Without Religion”, Peter Singer and Marc Hauser (2005, www.wjh.harvard.edu—accessed 4 November 2007) explore this notion and list some of the most notable philanthropists of the last 100 years amongst nonreligious people. These include Andrew Carnegie, Warren Buffett, and Bill Gates. Altruism would appear to be the motive for alleviating human suffering in the case of these wealthy individuals. Packer himself is purported to have given not insignificant donations at times, although he staunchly guarded his privacy on such matters.

2.3.7 Financial Dependencies of the Not-for-Profit Sector and Related Concerns

This third sector has generally always depended on assistance from individuals, government, or corporate sector donors. When pondering the issue of the funding required for not-for-profits to provide what at times are vital services, an interesting issue arises around who has the greatest responsibility—the private or public sector. Do philanthropists supplement government funding or do governments supplement the shortfall of philanthropists?

One thing is certain; there is no way either group could sustain the needs of the not-for-profit sector on their own at current rates of giving. One survey of not-for-profits asked what their greatest concerns were. No surprises perhaps that, in 2003, the international consulting firm Grant Thornton found that 65% of not-for-profit organisations surveyed identified financing their activities as their key concern.

Another link between the government and donors are the tax breaks provided by governments to ensure that the philanthropic tap stays turned on. In her book, *Why the Wealthy Give*, Ruth Ostrower writes of having canvassed the views of many donors to the notion of tax deductibility for donations being removed. Not surprisingly, tax deductibility was a strong element of motivation and there was almost universal opposition to its removal (Ostrower, 1995, p. 23). Under the current Australian taxation system this could make a difference of between 30 – 47% depending on whether the giver was a registered company or a high earning individual. In some cases a government, which by definition is a publicly owned entity, may well be the beneficiary of donations to allow it to maintain certain standards of operation. National, state, and municipal libraries and art galleries are examples of this.
The potential consequences of over dependency on government resourcing, both in terms of seeking government board representation to facilitate greater funding, and the potential weakening of an organisation’s own ability to fund raise outside the government sector, have been raised in various studies (Grenbjerg, 1993; Miller, et al. 1994; McClusky, 2002). Concerns are sometimes raised around the work of charitable organisations that the aid they provide to the poor or disadvantaged potentially leads to dependency and lack of self-sufficiency on the part of the recipient. Some have even levelled this criticism at the charitable organisations themselves in their quest for financial support. Yet when disasters strike, such as the Tsunami in 2004 or cyclone in Myanmar and earthquake in China in May of 2008, organisations such as Oxfam and The Red Cross are expected to respond quickly with massive amounts of aid for victims. Their funding has to come from somewhere.

Another concern raised is that too many board members drawn from the public sector and donor organisations may have serious implications, as the result of limiting a broader representation from the community. Guo Chao, in a recent article in the journal *Public Administration Review*, writes that:

> The adoption of a cooptation strategy in response to government funding dependency leads to an increase in the number of corporate, professional and social elites who are more likely to have linkages with public funding agencies. (2007, pp. 458–474)

Furthermore, it is deemed that such practices virtually ‘crowd out’ other potential board members from the community, so lessening the level of community involvement (Chao, 2007, pp.478-54).

Smith and Lipsky in their work *Nonprofits for Hire* (1993) make the point that boards of not-for-profits ‘embody and represent community interests’ (p. 74) and yet with overrepresentation from donor agencies the boards may move from ‘agents of the community’ to ‘agents of government’ (p. 72). The same concerns may perhaps be aired in connection with any external sponsorship, including that from the corporate sector, and has perhaps been most succinctly expressed by Lynn Miller in the title of her article for *Nonprofit Quarterly*: “Who Owns Your Nonprofit?” (2002, pp. 62–65).

These concerns were further enunciated within a UK context by the charity Breakthrough Breast Cancer’s refusal to accept one million pounds worth of sponsorship from the Swiss company Nestlé as it was felt that this company unethically promotes baby milk powder in developing countries (Purves 2005). Libby Purves in her article, “A Robust Reply to Bullying”, published in *The Times* also dealt with the complex issue of pressure brought to bear on Oxfam by pro-Israeli supporters not to accept donations from wealthy Palestinians (Purves, 2005, www.timesonline.co.uk—accessed 23 June 2006).

Despite potential problems with public sector involvement on boards, there is no denying that the government is an important contributor to the work of the not-for-profit sector and, on a percentage of income provided, surpasses that contributed by individuals in Australia (Wade, 2007, p. 23).

The government is also actively seeking to enhance the efficiency of the way the not-for-profit sector operates to equip it to function more effectively. The recent initiative by the Department of Communication, Information Technology and the Arts (in Australia) to boost the ICT capacity of the sector is a prime example of this (McConnachie, 2006, www.intergovworld.com—accessed 17 May 2006).
Although the not-for-profit sector must adhere to standard accounting practices, and be accountable to their stakeholders, they are still seen as requiring different treatment to the profit-making sector and that it is desirable to avoid the potentially massive compliance costs that may produce little additional benefit (Durkin, 2007, p. 27). The Australian Taxation Office has also highlighted the special tax and accounting requirements of not-for-profit organisations, yet seems to share the view of Chartered Secretaries of Australia’s Chief Executive, Tim Sheehy, that ‘full financial statements as required by capital markets is definitely overkill’ (Durkin, 2007, p. 27).

2.3.8 Current Levels of Giving in Australia
A useful Government report on current levels of giving in Australia is the *Giving Australia* report (Department of Family and Community Services 2005). This indicated that the United States generates more than twice the level of giving in Australia, which in turn gives about one and a half times as much as Canada does, albeit comparisons are not made in comparable years (see Table 2.6).

<p>| Table 2.6: Giving as a Percentage of Gross Domestic Product (GDP)-International Comparisons |</p>
<table>
<thead>
<tr>
<th>Country</th>
<th>% of GDP</th>
<th>Year of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1.60</td>
<td>2004</td>
</tr>
<tr>
<td>Australia</td>
<td>0.68</td>
<td>2005</td>
</tr>
<tr>
<td>Canada</td>
<td>0.46</td>
<td>2000</td>
</tr>
</tbody>
</table>

Source: Department of Family and Community Services, 2005, *Giving Australia* report.

Further comparisons drawing on data in $A from 2006 are given in Table 2.7.

| Table 2.7: Philanthropic Levels—International Comparisons, 2006 |
|----------------------|------------------|------------------|
| Category             | USA              | United           | Australia         |
|                      | ($A billion)     | Kingdom          |                  |
| Individuals ($A billion) | 244              | 22.9             | 9.0              |
| Business ($A billion) | 18               | 1.5              | 3.8              |
| Foundations ($A billion) | 44               | 6.3              | 0.9              |
| Total ($A billion)    | 306              | 30.7             | 13.7             |
| Foundations (N)       | 90,000           | 11,000           | 2,100            |
| Population (million)  | 301              | 60.8             | 20.8             |
| GDP ($A trillion)     | 15.7             | 5.5              | 1.0              |
| % of GDP              | 2.3%             | 0.6%             | 1.4%             |


Looking from an historical perspective, in biblical times the concept of tithing was common with each family encouraged to give one tenth of each year’s crop or, in later times, income, to the church. This would earn the donor spiritual merit, leading to greater material success (Meyer, 1978, p. 10).

Commenting on contemporary giving, noted Australian ethicist, Peter Singer, updates this ancient concept and believes that with the current level of affluence in the Western world that the figure of 25% is more appropriate (May, 2007). However, other priorities may be at the forefront of many people’s minds today.
The results of a survey that inquired into what the top ten concerns were for people living in Australia today are shown in Table 2.8. There seems to be very little evidence in this research that the Australian public consider the disadvantaged in society as a very high priority. Their level of concern with cost of living and health issues may give an indication of this, but there is no evidence that the surveyed individuals are thinking of anyone other than themselves or their immediate families when considering these issues.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Water</td>
</tr>
<tr>
<td>2</td>
<td>Education</td>
</tr>
<tr>
<td>3</td>
<td>Economy—cost of living</td>
</tr>
<tr>
<td>4</td>
<td>Industrial relations</td>
</tr>
<tr>
<td>5</td>
<td>Immigration / multiculturalism</td>
</tr>
<tr>
<td>6</td>
<td>Border / homeland security</td>
</tr>
<tr>
<td>7</td>
<td>Climate change</td>
</tr>
<tr>
<td>8</td>
<td>Health services—ageing, hospitals, mental health</td>
</tr>
<tr>
<td>9</td>
<td>Infrastructure—transport, roads, schools</td>
</tr>
<tr>
<td>10</td>
<td>Taxation</td>
</tr>
</tbody>
</table>


2.3.9 Public Cynicism

In a Powerpoint presentation titled “Trust at the Crossroads in Australia” (2007), at which information from 140 × 40-minute face-to-face interviews was presented, it was stated that the general public’s trust of the NGO was marginally up on 2006 levels but still down on 2005 levels, albeit still higher than government, business, or the media (Edelman, 2007). A degree of cynicism exists around whether any good will come anyway from attempts to improve any given situation (Hirschman, 1991). Hirschman writes of the perversity thesis that essentially states that everything backfires and in which well-intentioned actions will ultimately prove to be counterproductive (1991, p. 12).

In connection with social policy this would translate to an effort to deal with distress itself increasing distress (Hirschman, 1991). Social welfare will create more not less poverty—an argument generally substantiated by the view that acts of charity foster dependence. This also extends to the specific reason for failure being the use of ineffective strategies employed by the humanitarian agencies which implement program funded by individual or corporate donations (Glazer, 1988).

This argument is sometimes considered in relation to government intervention. Essays with titles such as “The Sins of the Legislators” (Terry, 2002), and books such as The Man Versus the State (Spencer, 1940) and Losing Ground: America’s Social Policy (Murray, 1984), have for some time expressed a disheartening view of the futility of government policy in improving the standard of living for the disadvantaged in society, even suggesting that legislators have increased human suffering in their endeavours to mitigate it. Our efforts to deal with distress themselves increase distress. (Murray, 1984, p. 9)

We tried to provide more for the poor and produced more poor instead. We tried to remove barriers to escape from poverty and inadvertently built a trap. (Spencer, 1940, p. 86)
Others suggest that the charitable approach should be replaced with one that creates greater self-sufficiency within the recipient community. This is the stated aim of social investment strategies and is the strong focus of groups such as The Hunger Project (Burke, 2004). International charity Oxfam, along with providing aid, has as its core aim sustainable solutions to poverty and social injustice. ‘Trade not aid’ (Glazer 1988, p. 52) also fits into this category, in which goods are brought as opposed to money donated, and which was advocated by Body Shop founder, the late Anita Roddick.

The Gates Foundation is the world’s richest philanthropic organisation dedicated to bringing innovations in health and learning to the global community. However, in July 2007 it was criticised for reaping huge profits investing in companies responsible for causing the problems it tries to solve. It is also claimed that the grant giving is doing more harm than good in undermining existing agricultural systems and preventing the paradigm change that is required to secure the future of some nations (Ho, 2007, www.i-iss.org.uk—accessed 31 December 2007).

In her thesis Giving Circles and the Democratisation of Philanthropy (2005) Angela Eikenberry writes of the need to avoid the negative consequences of philanthropy, namely its tendency to promote the maintenance of inequality. She proffers the view that a more personal form of giving from individuals via giving circles can counter the institutionalised face of modern philanthropy and its subsequent issues. Another approach that has been advocated is to strengthen the process of certification of charitable organisations. This has been found to increase the level of public confidence and hence giving; however, problems were found to occur when the certifying body was itself a for-profit-making company (Eikenberry, 2005).

Dependency is yet another potentially negative consequence of philanthropy and could be described as yet another moral hazard (Dembe and Boden, 2000, pp. 257–279) of accepting this form of support. The issue being that in accepting charity in order to dispense charity the recipient may become weakened. Another issue is that when wealthy individuals or corporations do give there can be cynicism around what their real motives are and in some cases whether they are seeking to benefit from the grief of others. Nevertheless, the funding for social welfare program has to come from somewhere with many struggling to cope with demands (Horin, 2006).

As with the decisions around where to solicit funding, fundamental decisions need to be made regarding whom to give to. One subset of this is whether to give to established or start-up program designed to produce sustainable outcomes, versus reacting to need when it occurs on a significant scale—that is, crisis relief. We have probably all been touched by the appalling images of starving children in Africa resulting from famine or plague. Hence another decision is whether to fund projects locally or deal with the at times appalling need in the third world.

The suffering of these people presents a huge opportunity for aid organisations to reach out and increase the effectiveness of fund raising at that particular point in time, yet some believe that the public are growing tired of these images, which for some time now have been labelled as ‘disaster pornography’ (Reiff 1997, www.foreignaffairs.org—accessed 2 February 2007). These images perhaps also have the capacity to desensitise audiences, a phenomena that has become known as the ‘CNN factor’ (Hoagland, 2003, www.washingtonpost.com—accessed 2 February 2007) after the high exposure given to disaster-related events by the global broadcasting network.
William Shawcross noted in his *Washington Post* article “The Numbing of Humanity: Have We Had One Atrocity Too Many?” (1984, pp. 23–24) that the flood of information can retard education and dampen curiosity rather than arouse it. Poet Archibald McLeish says that ‘we are deluged with facts but have lost or are losing our human ability to feel them’ (Shawcross, 1984, pp. 23–24).

In a parody on corporate giving Chris Henning wrote a newspaper piece called “Bankers Who Care—About Bankers” (2007, p. 14) in which he recounts a fictional meeting in the boardroom of Macquarie Bank between executives and the bank’s PR company:

Executive: “Now, ladies and gentleman, I wonder if you have any suggestions about handling our little problem”. (He starts spreading money, windfall profits, over carpet, making crooning noises).

PR Person: “Our suggested strategy would be to give some of your wealth away to; oh, blind aborigines, terminally ill kiddies, that kind of thing”.

Cynicism also exists around acting in accordance with principles of CSR on the one hand while conducting business in a dubious way on the other.

What is the good in a bank turning out its lights early or using both sides of its photocopy paper in order to rate well on an NGO formulated CSR index if it lowers its credit standards for housing finance? (Johns, 2005, p. 7).

In 2005 the World Economic Forum issued a press release titled *Trust In Governments, Corporations and Institutions Continues to Decline*. This organisation had carried out a survey across 20 countries involving 20,000 respondents that painted an alarming picture of declining levels of trust or the creation of what was called a ‘trust deficit’ since monitoring had begun in 2001. (World Economic Forum, 2005, p. 1) Interestingly NGOs remained the leaders as far as being trusted was concerned. However, in the same way that cynicism exists around corporate and government behaviour, the not-for-profit sector is not exempt. Accountability is a reasonable expectation, however, it must be frustrating for NGO’s when at times even the lives of their workers are at risk in an effort to help others and yet they are at times the targets of at times ill informed criticism.

Cynicism often exists around where donations go and whether they reach those really in need. Professor Bob Walker from the University of Sydney reiterates an often aired point when he says that ‘people want to know what percentage of money donated goes to the end cause’ (Walker, 2007).

In relation to Tsunami relief in Sri Lanka Hermann Kumara said ‘the funds received for the benefit of the victims are directed to the benefit of the privileged few, not the real victims’ (Klein, 2005, p. 31). Comments such as this can not endear the average shareholder to the notion of supporting overseas aid organisations. Statements like those made by Condoleezza Rice in which she described the Tsunami as ‘a wonderful opportunity’ that ‘has paid great dividends for us’ cannot be helpful either (Klein, 2005, p. 32). The press seems at times quick to highlight any potential controversy which can result in the trust of potential donors being damaged. Articles such as “Millions Lost In Tsunami Aid Fraud” (McClymont 2007) have the potential to limit future giving.
An example of this is that following the third anniversary of the South East Asian Tsunami some negative press appeared questioning three charities—namely World Vision, Caritas, and Oxfam—for spending some of the public’s donations on what was considered non-Tsunami-related work in those countries (Higgins, 2007).

One complaint appeared to be that one charity had spent $A18,690 on a theatrical production to help redress gender inequality issues in Acehnese society. This ignored the fact that this was a core part of the charity’s global charter and that it is important that work outside of disaster recovery is maintained in times of natural disaster. The problem with this type of article is that it can do considerable reputational damage and has the potential to limit fund raising for vitally important work. As one commentator quipped:

It must have been a slow news day if Ean Higgins and *The Australian* had nothing better to do than scare off donations from hard working aid organisations. (www.australianwomenonline.com - accessed 29 December 2007)

**2.3.10 Green Philanthropy**

There is also anecdotal evidence emerging that a focus on global warming and portraying one’s company as ‘green’ is now occupying greater focus than other aspects of CSR. One of the weakest areas measured in the *Corporate Responsibility Index* (www.corporate-responsibility.com.au—accessed 30 June 2007) was in environmental performance, and as corporations seek to invest more heavily in this area it is possible that some focus will be moved away from social program thereby negatively impacting areas of the not-for-profit sector.

The Giving US organisation estimates, donations for environmental initiatives in the US grew by 16.4% in 2005 to $US8.86 billion (Giller, 2007, pp. 43–45). Initiatives include recycling, waste reduction, and the incorporation of energy efficiencies to produce cost savings. In some cases giving to this area is seen as producing more tangible benefits, is more easily sold to the board, and produces greater PR benefit given the high profile of global warming. It is highly likely that this level of giving will now have increased following the high-profile work of former US Vice President Al Gore. His film *An Inconvenient Truth* has now been watched by millions (Gore, 2006).

The terms “green-philanthropy” and “eco-philanthropy” (www.greenphilanthropy.com —accessed 28 October 2007) have been spawned to categorise the growth of giving to environmental causes. This area has received a significant boost from high-profile campaigners such as Al Gore. Often the environmental issues are portrayed as so important that they require the highest priority. James Gustave Speth, Dean, Yale School of Forestry and Environmental Studies has stated:

My principal advice is to contribute urgently and in a way that is unprecedented, because those are the characteristics of the threat (Giller, 2007, pp. 43–45).

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3 During a conference on CSR convened by the Australian Centre for Corporate Social Responsibility, the first question from the floor taken late in the day asked why the conference had been totally focused on environmental issues to the near complete exclusion of other pressing social concerns.
2.3.11 Is There a Case for Not Taking the Corporate Dollar?

One argument is that the not-for-profit sector is merely a pawn in the hands of the big corporations and that attempts during 2006 by the then Prime Minister of Australia, John Howard, to encourage greater corporate philanthropy were nothing more than an attempt to relieve the government of its responsibility for providing welfare (Boland, 1999). This can also apply to government attempts to promote individual giving.

The disadvantage of a Prime Minister suggesting that people give is that many in the community feel that this is the government copping out…(Cham, 2004).

Others suggest careful thought is required when deciding whether or not to accept corporate donations or sponsorship and to weigh up the ethical issues before making decisions (Ping, 1995). The main concern appears to be with the donor's motivations and whether the recipient may unwittingly be a contributor to an unintended outcome. In Table 2.9, Ping (1995) provides the decision maker with a framework through which to make their decision and encourages them to define their own moral position.

The model does not presuppose right or wrong in any given situation. It invites the decision maker to choose a paradigm from which to operate and then assess their decision according to that criterion. A charity coming to grips with the decision whether to accept money from a tobacco company may decide in favour if adopting a "Moral" position, whereas another may make the opposite decision if viewed from a "Utilitarian" standpoint. Yet this may not be the case if the donation took the form of sponsorship and came with a requirement for the charity's website to carry the tobacco company's logo potentially signalling endorsement of tobacco products, albeit the money donated may save lives. These simple examples indicate just how much thought may be required before accepting assistance from the corporate world lest the aid damage the credibility of the charitable organisation leading to fewer donations from traditional sources.

Table 2.9: Alternative Ethical Frameworks

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<tr>
<th></th>
<th>Utilitarianism</th>
<th>Concerned with consequences of an action.</th>
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<tr>
<td>Key question:</td>
<td>Do the benefits of an action outweigh the negative consequences of the action more than any of the alternatives?</td>
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2. Universalism Concerned with intentions of individual performing the act.

| Key question: | Would we wish that if everyone, when faced with the same set of circumstances, made the same decision, or took the same action, as the action in question? |

3. Distributive Justice Concerned with social justice.

| Key question: | Are the least advantaged members of our society better off after the decision or action than they were before? |

4. Moral Grounds Concerned with the consideration of liberty.

| Key question: | Do all members of our society have greater freedom to develop their own lives in their own way after the decisions or actions than they did before? |

2.4 Intermediate Discipline: The Relationship Between For-Profit and Not-for-Profit

2.4.1 The Corporate Paradox

‘The history of philanthropy is the history of civilisation’ (www.auscharity.org—accessed 13 May 2007). There is no doubting that as the corporation has grown in prominence in our society globally there has been an increased move toward greater corporate philanthropy and greater involvement in general by the corporate sector with the not-for-profit sector (United Nations, 2008). Australia is no exception (Centre for Corporate Public Affairs 2007). In its article “Faith, Hope and Philanthropy”, the economist.com even reports on speculation of a new ‘golden age of philanthropy’ (2006b, www.economist.com—accessed 23 February 2006).

The WK Kellogg Foundation (2003) suggested in its report *Blurred Boundaries and Muddled Motives* that motivations surrounding corporate social investing remain unclear. For example it is unclear whether the growth of social investment has come about because the world’s large corporations have been bludgeoned into it by the rise of consumer activism; because of the greater scrutiny of the media; the greater access to knowledge for the general public; the immense power of the internet to communicate and rally; the realisation that being seen as a good corporate citizen can enhance the bottom line; or a simply due to a desire to give back to the community. Yet there is no denying the changes taking place (Fulton and Blau, 2005, pp. 1–9).

Against this backdrop one thing remains certain: although the responsibilities of a profit-making publicly listed company are varied and diverse, to stay in business it still has to make a profit. A publicly listed company is established primarily for the purpose of generating profits and if it shows a loss for very long it will close. Therefore, ensuring the survival of the organisation is likely to be uppermost in the minds of most CEOs today (Garten, 2001, p. 14).

This innate survival mechanism has its origins in the same basic biology as does the human organism, which is, at its most fundamental level, a seeker of self-satisfaction (Maslow, 1998). Hence, whether the entity be a human being or a corporation, a natural tendency to change one’s environment in one’s own interests can generally be observed (Bateson, 1972).

Some put forward the notion that this display of self-oriented behaviour is a kind of instrumental humanism and is actually fundamental to the good management of the relationship between man and his surroundings (Gadalla and Cooper, 1978, pp. 349–383). These discussions of the interaction between one biological system and another are very transposable to a discussion of the corporation and the ecology in which it operates, namely society.

As early as 360 BC, when Plato’s classic Greek text *The Republic* was written, we see instrumental humanism displayed in his creation of an epistemology that would facilitate greater control by man of his world (Plato, 2003). It is a natural desire to be able to exert control in order to produce predictable outcomes, in this case financial. In the case of the company of today, particularly the global corporation, this relates to financial outcomes; however, it can no longer control the extremely complex environment in which it operates, or the multiple influences exerted on it, every moment of every day.
What has really made many people reassess their beliefs around their ability to control their surroundings and become concerned that the world may well have reached a 'tipping point' (Gladwell, 2000) is the realisation of the need to address the Earth’s carrying capacity in the face of mounting evidence of the Earth being at risk and requiring urgent action to avoid overt environmental catastrophe (Gore, 2006; www.greens.org.au—accessed 27 October 2007; www.unep.org—8 April 2008). In addition, the need to address social deficits, the ever widening gap between the haves and have nots, and the impact of a company’s operations on society as a whole also play a role.

This imperative does not always appear to be acknowledged by everyone, and what society has come to value is often questionable. One such example of this is the ludicrous nature of valuing environmentally degrading activities such as the Howard Government’s decision to allow the building of a new pulp mill in the sensitive ecosystem of the wild forests of Tasmania (Brown, 2007, www.bobbrown.org 2007—accessed 17 October 2007). Even wars are seen by some to be valuable contributors to bottom-line economic growth (Klein, 2007, pp. 13–14).

This drive for survival and sustainability applies to the corporation itself as well as to the ecology in which it operates. Adding to the complexity for corporations today is the fact that doing well no longer refers simply to the financial bottom line. In the world of triple-bottom-line reporting, a company is assessed on its performance in three areas: financial, environmental, and societal (Elkington, 1998, p. 69). A company is now not only held accountable for three bottom lines, but is wise to heed its own impact on all three, in particular its environmental and societal footprint. It is argued that as an agent provocateur for sustainability, triple-bottom-line reporting has had few equals (Gilding, Hogarth and Reed, 2002a, p. 6). Interest is growing; the search engine Google registered 283,000 hits for “triple bottom line” on 1 January 2008 versus 187,000 on 1 January 2005 and only 22,900 two years earlier on 1 January 2003 (www.google.com—accessed on the dates listed).

However, the very term “triple bottom line” suggests a separation of these three into silos rather than an integration. Paul Gilding, the CEO and Founder of Ecos Corporation, a leading consultancy to business on sustainability, extends the concept of triple bottom line to that of a strategy that promotes the creation of social and environmental value in order to create more financial value as a direct and measurable result. This is where the moral imperative, to do good, gives way to the imperative of value creation. Doing good, actually resulting in the creation of shareholder wealth (Gilding et al, 2002a, p. 3).

This philosophy of value creation, not compliance, is seen as mainstream, not fringe, and core to financial success and the creation of long-term shareholder value. The imperative of needing to do well is now reconciled with the desire to do good; to the point where a dependency is created between the two. It should be emphasised that sustainable living is not about ‘no growth’ it’s about ‘new growth’ utilising appropriate technologies (Badiner, 2002 , p. 248).

Evidence has been emerging in the United States for some time as to the bottom-line benefits of incorporating environmental and social stewardship into the operation of the company. This is now readily accessible through the websites of organisations specifically set up to promote CSR such as CSRwire (www.csrwire.com—accessed 29 May 2006) and Business for Social Responsibility (2003, www.bsr.org—accessed 29 May 2006). Closer to home, the St James Ethics Centre has established the Corporate Responsibility Index (www.corporate-responsibility.com.au—accessed 30 June 2007). Research findings from overseas include:
1. The Dow Jones Sustainability Group Index found that chemical companies operating on a triple-bottom-line system of accountability outperformed those who did not by 9.2% (www.csrwire.com—accessed 29 May 2006).

2. A consortium consisting of Volvo, Unilever, Monsanto, Imperial Chemical, Deutsch Bank, and Gerling concluded that improving environmental compliance played an important part in winning contracts or investment approval in emerging markets as well as enhancing company earnings (Davidson, 2003).

3. In a paper on the relationship between social responsibility and financial performance, reporting on 21 published studies, it was found that in 12 cases there was a positive association, in 8 no measurable association, and in 1 a negative association (Pava and Krausz, 1996).

4. UCLA (University of California–Los Angeles) professor David Lewin found that companies with higher philanthropic giving have significantly higher returns on assets or financial investments. He concluded that ‘corporate philanthropy can over time enhance business performance’ (www.csrwire.com—accessed 29 May 2006).

5. In 1997 Coca Cola experienced a 490% increase in sales through Wal-Mart stores when it financially supported the Mothers Against Drink Driving campaign (www.csrwire.com—accessed 29 May 2006).

2.4.2 Corporate Morality

What about simply wanting to do good, or seeing it as one’s duty? Wanting to make a difference, without the link necessarily to financial gain? Do companies actually think like this or is the term “corporate morality” an oxymoron? In fact one question that needs to be asked is “Do companies think at all?” That is to say, perhaps we assign more characteristics to corporate entities than is really the case—a process known as reification (Bewes, 2002, p. xvii). Is it not the managers within those companies that are actually making the decisions? However, there is considerable disagreement on this issue. One alternative view advanced is:

... a corporation’s internal decision making is not, as generally thought, the sole responsibility of individuals, but operates as a collective, identifiable, corporate entity (French, 1984, p. 39).

One of 5th-century philosopher Plato’s own students may have laid the early foundations for the basic drive to do good exhibited by some individuals within corporations today. In Nicomachean Ethics, written by Aristotle in 350BC, we read of the purpose of life as being human ‘flourishing’ or ‘happiness’, translated from the Greek eudemonia. Aristotle (2003) writes that the path to achieving this is through developing a virtuous character and habitually behaving in a virtuous manner.

Let us assume for one moment that we have a population consisting of managers who want to conduct their business within a framework of CSR. One aspect of the multiple decisions that will need to be made by the CEO or board will be whether or not to provide support for the not-for-profit sector.
They will need to decide whether a company can be deemed to be a good corporate citizen if not supporting the underprivileged in society. Does Aristotle's principle of moral excellence, when extended to the corporation, suggest this? Is it actually unethical not to provide support for areas of genuine need where the support of the corporation could perhaps substantially alleviate that suffering?

Multiple decisions need to be made in connection with any engagement with the not-for-profit sector. One set of decisions concerns aspects of giving such as how much and who to give to and whether to give via a third-party member of the not-for-profit sector or directly to those in need. Little has been published on community attitudes on the subject of corporate giving and what engagement process the public expect from corporate Australia. This study is purely qualitative, however; further quantitative research into this field would be beneficial.

2.4.3 Defining the Company’s Values
To be able to answer the fundamental questions regarding corporate giving, a company really needs to know who it is and what it stands for. These are deep philosophical questions that companies often avoid (Gilding et al, 2002a, p. 5) and again take us back to the early wisdom of the great thinkers and philosophers of Greece who invited the individuals of the day to ask themselves these questions as a means to define their lives and how they should be lived.

Selznick (1957) writes of an organisation evolving into an institution, with managerial decision making giving way to institutional leadership. He warns of the vulnerability of ‘institutional integrity’ (p. 120) when ‘values are tenuous or insecure’ (p. 120). This defining of one’s core identity, purpose, and goals, and as to who should benefit from the company’s success, will also have consequences in regard to many of the company’s fundamentals. If a corporation is prepared to tackle the big question of ‘Who am I?’ everything else becomes easier after that. However, despite a rash of vision, mission, and value statements appearing on office walls, many companies have still not defined their core values. Hence, whether to give or not to give becomes a dilemma, along with a host of other ethical considerations.

2.4.4 The Economic Rationalist View
In 1776 Scottish economist, Adam Smith, the father of modern-day economics, highlighted the concepts of ‘enlightened self-interest’ and the ‘invisible hand’ (Smith, 1982); principles whereby people benefit the community in which they live by acting solely in their own self-interest with no requirement for the needs of others. These were Smith’s observations of the world around him and his argument was that self-interest was not necessarily always good but not necessarily always bad. One example of this, advanced in defence of not giving to the broader community, is that the greatest good that a company can do is to look after its owners, thereby ensuring the very existence of the company and continued employment and wages.

The spectrum of neoclassical, economic rationalist views toward corporate philanthropy can be summarised as ranging from it being noble but misguided through to grossly irresponsible. This group would tend to defend their position by asking a question along the lines of: “If philanthropy means acting out of love for humanity, or some such similar definition, then what has that got to do with making a product or providing a service at a profit and meeting the annual profit expectations of the market analysts in order that the share price remains strong?”
The late Milton Friedman for one was vehemently opposed to corporate philanthropy for any purpose other than benefiting the stockholders of the donor company should such returns be possible (Friedman, 1970).

Professor David Henderson, former Chief Economist of the OECD (Organisation for Economic Co-operation and Development) was another. In his work *Misguided Virtue: False Notions of Corporate Social Responsibility* (2002) he states his belief that corporate giving is a response to anti-capitalist forces and reflects appeasement or collaboration with those opposed to the private enterprise system. Another extreme view was that of Al Dunlap, former CEO of Sunbeam and other corporations, who believed that for a CEO to even spend time on other boards or engaged in any community activities would lead to underperformance of the company. He believed that corporations suffered when CEOs thought that they were great social messiahs (Dunlap, 1996). However, as we have seen, his career and reputation collapsed, perhaps along with the profit-at-any-price era of business.

In Australia the view exists in some quarters that directors of companies are appointed for one reason and that is to make money for the shareholders, not to give it away. In relation to support for not-for-profits Stan Mather, a former director of the Australian Shareholders’ Association, now deceased, was quoted in 2001 as saying that companies should not be deciding what to do with shareholders’ money. They should return as much of it as possible to the shareholders and let them decide what to do with it (Tracey, 2003). Mather made no judgements about the not-for-profit sector nor commented on what each individual shareholder should do with the dividends once received in terms of whether, or how much, he/she may personally choose to give away. He simply believed that this is an individual choice.

### 2.4.5 The Alternative View

Critics of the economic rationalists would tend to argue that their view is myopic and very short-term, not only denying the responsibility of a corporate entity to a broader group of stakeholders than simply shareholders, but also failing to see the strategic corporate benefits of community engagement. In this case it is important for businesses to stay in touch with contemporary views of stakeholders such as their own staff.

‘The philosophy of not-for-profit organisations seems to resonate with younger workers and managers’ (Parker, 2005, p. 28). One of the key challenges for business is that amidst this process of being a catalyst for social change as well as this engagement process becoming a value creator for stakeholders, one of the greatest challenges still remaining is how to measure the benefits (Hill and Farkas, 2007). The literature on corporate philanthropy would appear to advance three significant arguments in support of this activity:

1. Moral—a company has a responsibility to give;
2. Instrumentalist—if you do not you might be missing out on benefits;
3. Risk Management—if you do not you might incur negative consequences.

### 2.4.6 Fulfilling Responsibilities to Society

In every corner of the United States and all over the world, intelligence and energy are evenly distributed, but opportunity, investment, and effective organisation are not. As a result, billions of people are denied the chance to live their lives to the fullest, and millions die needlessly every year (Clinton 2007).
There is growing uneasiness that corporations have not fulfilled their part of the social contract (Bakan, 2004). A corporation most definitely has a responsibility to uphold the law, operate in a fiscally responsible manner in regard to shareholder funds, and take into account the needs of its primary stakeholders, but does it really have a responsibility to society as a whole? Essentially the answer to this is found in the answer to another question, namely, ‘Is society a stakeholder?’ The views of several business leaders who support the concept of society being one of a company’s many stakeholders are expressed below:

“There is a difference between a good company and a great company. A good company offers excellent products and services. A great company offers good products and services but also strives to make the world a better place” William Clay Ford Jnr, Chairman and CEO, Ford Motor Company (Kotler and Lee, 2005, p. 6).

“There are many measures of a company’s success. The most obvious of course are profitability and share value … but there is another important measure that we hold ourselves accountable for—our social responsibility” Carlos M. Gutierrez, Chairman and CEO, Kellogg (Kotler and Lee, 2005, p. 6).

“I honestly believe that the winning companies of this century will be those who prove with their actions that they can be profitable and increase social value. This is simply the new reality of business, one that we should and must embrace” Carla Fiorina, Former Chairman and CEO, Hewlett-Packard (Kotler and Lee, 2005, p. 1).

Clearly these CEOs see the members of the societies in which they operate as stakeholders who need to be considered when undertaking decisions regarding the way their companies conduct business. The concept of having stakeholders and the need to manage these relationships brings with it the idea of interdependence and a willingness to examine the ecosystem in which the company operates in order to minimise harm and maximise outcomes for all concerned. It overturns the Friedman view of business, the notion that a leader has a responsibility to drive for maximum profit and that is all that matters, and introduces a new paradigm of business as a member of society seeking to add value not just to shareholders but to all stakeholders.

One reason why this may be so confrontational is that it challenges the notion of the all-powerful leader. Once the concept of stakeholders is acknowledged, the leader simultaneously becomes a follower in that he or she serves the interests of multiple groups (Zaleznick, 1977, pp. 67–68).

In 2002 the World Economic Forum in New York was attended by CEOs from some of the world’s major global corporations. They released their own report entitled Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards (CEO Taskforce 2002). In this they agreed that corporate leaders have an obligation to play a larger role in managing the impact of their companies on society.

Some organisations have become icons on the basis of doing the right thing and giving back to society due to a belief that a corporation has a responsibility to do so. They believe that there is a serious requirement to contribute to the sustainability of the planet through the way in which they do business.
The Body Shop with its “trade not aid” philosophy, and US outdoor goods manufacturer Patagonia and clothing manufacturer Timberland with their strong social agendas are good examples of this.

These companies have developed a ‘moral identity’ (Damon, 2004, p. 5) and have become synonymous with corporate bodies who do not act correctly due to being constrained by moral tenets and government regulations but because doing so is at the very heart of who they are. Participation in corporate philanthropy, in its various forms, is very much a part of what society now expects from profit-making corporations. An unwritten understanding has emerged between corporations and the societies in which they operate, and the corporation of today needs to be mindful of its obligation to fulfil this philanthropic contract (Broadbent, 2001, p. 1; Kouzmin, 2007).

2.4.7 Deriving Benefits from Giving

The concept of ‘operationalising sustainability’ (Gilding, Humphries and Hogarth, 2002b, p. 1) and its transformation into mainstream business practice to produce dividends for shareholders and society is the pragmatic appeal to business pursued by Paul Gilding, the CEO of Ecos Corporation. He calls this ‘converting values to value’ (Gilding et al, 2002a, p. 2).

It is argued that this value-creation approach is a more effective one in promoting sustainability and greater community engagement than is that of the moral imperative agenda. It moves away from the concept of doing what’s right as a duty and promotes the idea of the company driving its success through doing the right thing. Kerry McCabe, from the Ten television network has said ‘Nothing builds brand loyalty among today’s increasingly hard-to please consumers like a company’s commitment to a worthy cause’ (Williams, 2005).

What has been avoided by many corporations for years as being a costly and unnecessary burden of compliance with either governments, the media, environmental groups, or consumers, actually turns out to be a strategy for driving shareholder value (Gilding et al, 2002b, p. 5).

The Giving Australia report (Department of Family and Community Services, 2005) states that the reasons or motivations for giving, in practice, often reflect a mix of factors, and goes on to state that the kinds of reciprocal benefits that may accrue to a company engaging in philanthropic activities include:

1. Enhanced reputation;
2. Profile or advertising;
3. Attraction or retention of customers;
4. Attraction or retention of staff.

In the Corporate Community Investment in Australia report, 92% of Australian companies surveyed stated that ‘winning community trust and support’ was a ‘very important motivator’ for community involvement (Centre for Corporate Public Affairs, 2007, p. 44). One social responsibility study has demonstrated that bottom-line benefits may stem from socially responsible practices. In a media release in 2006, “Reputex SRI Index Outperforms Benchmark in First Year”, Australian ratings and research agency Reputex released the results of its year-long study comparing the stock market performance of 44 corporations that had received a CSR rating of at least “A” with the Australian Stock Exchange Top 300 (Reputex, 2006).
Companies were spread across ten industry sectors and returns for the Reputex SRI Index companies were 15.85% in comparison with 14.08% for the S&P ASX 300 over the same period. Although not specifically relating to corporate social investment these activities were nevertheless a subset of the broader CSR rating given by Reputex. This research would at the very least suggest that to engage in socially responsible business practices, which can be taken to include corporate social investment program, will not compromise the bottom line. In fact it is becoming more and more apparent that there is no conflict between doing good and doing well and that reciprocity often exists with benefits accruing to the bottom line (Himmelstein, 1997; Levy, 1999; Benioff and Southwick, 2004; Damon, 2004; Hollender and Fenichell, 2004; Isenheim, 2005; Laszlo, 2005; Anheier and Leat, 2006).

2.4.8 Negative Consequences of Not Giving

Definitive, hard evidence of companies that have suffered negative consequences from not giving financially or in other ways to the not-for-profit sector is in short supply. However, there is evidence of this from the broader sustainability debate, such as the negative consequences stemming from adverse publicity for corporations that commit acts of environmental vandalism or engage in immoral behaviour (Moir, 2001; O'Brien, 2004). Such consequences can include huge fines imposed by governments, tightening of controls by government regulators, loss of reputation, and consumer boycotts.

Risk reduction is an important benefit for any corporation contemplating a sustainability agenda, specifically around the protection of corporate reputation and brand. US business ethics researcher and Harvard lecturer Lynn Payne (2002b, www.hbswk.hbs.edu—accessed 28 August 2007) states that up to two thirds of the companies she has interviewed list ethics as being a risk-mitigation strategy. She holds out hope, however, that positive company values will evolve beyond the point of mere problem-avoidance mechanisms. She divides companies into three categories and invites them to choose a position. These categories are:

1. Due payers—that practice an ethic of compliance;
2. Sustaining members—that practice an ethic of mutuality;

Advocates of corporate community investment would see these as also being specifically applicable to the area that they seek to promote. The whole field of CSR has also been labelled ‘... in practice a mixture of philanthropy, business development and reputation risk management’ (Johns, 2005, p. 5). Expectations are changing; ‘Sustainability reporting is no longer a form of corporate tree hugging, but is fast becoming a proxy for management quality’ (Kellerman, 2005, p. 23).

The Reputex SRI Index (Reputex, 2006) noted that the results of their survey on improved stock market performance showed that companies that engaged in positive CSR initiatives were better placed to mitigate risk exposure and more resilient in the face of market changes that occur in the life of any company. In addition, in the Corporate Community Investment in Australia report 64% of Australian companies surveyed stated that winning support from government and gaining regulatory approvals or similar regulatory benefits was a very important motivator in their community involvement (Centre for Corporate Public Affairs, 2007). This type of perceived tangible benefit naturally influences decisions around corporate giving when those decisions are being made by a pragmatic board or CEO ever mindful of their fiduciary responsibilities.
2.4.9 The Global Corporation—Past the Point of Having a Choice?

Most of the world lives under conditions where the essentials associated with basic survival and dignity are lacking or deficient: food, education, health care, shelter, clothing, safety and respect (Chu, 2007, p. 309).

There is a growing backlash against the global economy in both rich and poor nations where the economic growth that it has stimulated has not been broadly shared (Clinton, 2007, p. 3).

In answer to the question "Why don't more people give?", noted Australian social commentator Phillip Adams advanced the suggestion on his Late Night Live radio program that there are those who preach a misguided Darwinism that says that the weak, the poor, and the indolent are not meant to survive (Tracey, 2003). When Bill and Melinda Gates established a foundation with a US$35 billion donation, Bill Gates described their motivation to the 2007 commencing class at Harvard like this:

If you believe that every life has equal value, it is revolting to learn that some lives are seen as worth saving and others are not (Gates, 2007).

When British Petroleum embarked on an image makeover with its slogan Beyond Petroleum (a play on “B.P.”) as it moved into cleaner fuels and investment in solar power, more cynical market observers dubbed it 'Beyond Profit' (Laszlo, 2005, p. xv). However, many organisations have come to believe that we have no choice but to act in a manner that supports the environment and to help those less fortunate, and that the health and well being of business, society, and nature have become inextricably entwined. Clearly issues such as human-induced global climate change must be addressed by business as well as governments (Gore, 2006).

Likewise the issue of social deficit such as the abysmal pay and conditions experienced by millions of workers in countries across Asia and other parts of the world (Klein, 2001, p. 455). Also the AIDS pandemic and the appalling rates of preventable disease experienced by the people of the African continent (Monbiot, 2003; Klein, 2005). Inequality and injustice are not new phenomena; in fact we have seen them throughout history, with governments justifying the inequity of their trading positions with the rational that they were charged with the responsibility of looking after their own people first. Inequality of labour concerning wages and conditions has existed throughout history (Engels, 1845). Ironically global economic dominance rarely brings the prosperity promised, even to the citizens of the dominant nation. As Mahatma Gandhi said 'there is enough for everybody's need, but not enough for everybody's greed' (Badiner, 2002, p. 1).

Some would hold that it is not the responsibility of business at all to effect positive global change and many would point to the multitude of international monetary and trade organisations that exist already. It is true we have had numerous organisations applying their intelligence to the goal of greater economic prosperity, yet have any of them even come close to creating a sustainable resolution to the problems of starvation, economic deprivation, and spiralling third world debt? NAFTA, GATT, APEC, WTO, IBR, IADB, IMF, MAI, OECD, and the World Bank have failed their constituents, or could it be that their stakeholders are not those that they publicly proclaim them to be? Cui bono?
In the documentary *Life and Debt* (2002) independent film maker Stephanie Black chronicles the unfortunate decisions of Michael Manley, the former Prime Minister of Jamaica, who faced with no viable alternatives was forced to sign loan agreements with the IMF that led to the country’s hopeless debt situation and the loss of its primary industry, dairying, to US multinationals.

Globalisation was a geopolitical ideology that promised much, including a sharing of the world’s wealth and with it higher employment levels and greater job security. However, this has not come to pass and international organisations furthering the cause of globalisation, seemingly at the expense of the interests of many small nations, have done little to make the world a better, more equitable, and more balanced place to live (Strachan, 1998; Monbiot, 2003; Saul, 2005). If anything the gap is widening.

History teaches us that such an imbalance between the economic, social and political realms can never be sustained for very long. Kofi Annan, Former Secretary-General of the United Nations (Annan, 1999, p. 1).

However, corporations with the will to change the financial, social, and environmental dynamic of the planet can not only achieve this goal but ensure their own sustainability at the same time. This is the concept of corporate social investing (Weeden, 1998).

It is in the interests of the world’s most powerful corporations to work for the advancement of global peace and prosperity. To put it simply, global companies have no future if the earth has no future. Ryuzaburo Kaku, the Chairman of Canon Inc. (Laszlo, 2005, p. 5).

Sustainability advocates believe that once we start to see a growing number of these powerful global companies coming out with strategies to enhance the lives of the people that they employ across the globe, developing core competencies around community giving, and channelling their expertise and financial resources into enhancing the societies in which they do business, then we will know that we are on track to securing their sustainability as well as that of the world.

China and India once thought of as third world are now huge markets for electronic consumer goods, movies, cars, and luxury goods and are most certainly the future economic super powers of the 21st century. They each contain a rapidly growing middle class whose combined spending power now eclipses that of many other traditional markets in the first world. These are potentially massive consumer markets that await the world’s manufacturers. They are changing rapidly and demographic data concerning education and literacy levels reveals this.

There are more honours students in India than there are people in Australia. China will soon become the largest English speaking country in the world (Kritas, 2008).

There is no denying that there is still deprivation on a huge scale and huge opportunities for corporations to develop partnerships to help alleviate that need. If the booming corporate sector embraces western principles such as building enhanced social capital through corporate social investment then the potential exists for the impoverished lives of the underprivileged in these countries to be greatly improved and the reputations and goodwill of the corporations to be greatly enhanced.
2.4.10 Is it Possible to ‘Eat Well and Sleep Soundly’?

Whereas previously it had been suggested that there is an incompatibility between bottom-line-driven economic rationalists and the do-gooders advocating corporate philanthropy, it is becoming increasingly apparent that philanthropy with strategic intent could actually fit into the world of both these groups. Geoffrey Heal in his book When Principles Pay (2008) notes that it is interesting to see that a number of large global financial firms with predatory lending practices have now gone out of business while companies like Toyota, renowned for its responsible business practices and commitment to the development of a greener automobile is flourishing. Even Milton Friedman would have been able to accept the concept of CSR if it also benefited the company and its bottom line.

In this sense this section of this thesis could perhaps have equally been given the title “For God and Profit”, borrowed from 14th-century Italian businessman Marco Dantini (Bakan, 2004). This was the motto of his compagnie. The fact that he was a banker who dealt in slaves would suggest that by today’s standards he fell somewhat short of finding the right balance between these two ideals.

This is when philanthropy becomes strategic, and Ellen Langemann defines giving with a return on that investment as the motivation as being where the corporation seeks to find ‘maximally effective means to achieve agreed-on ends and carefully thought through, articulated, and criticised rationales for action’ (www.xponential.com.au—accessed 15 April 2008).

A number of studies have been undertaken that shed light on various aspects of corporate giving, including studies in the United States that show that the primary determinant of giving was firm characteristics or culture (Trost, 2006) and that the primary benefit sought was public image enhancement (Tudor, 1988). As regards firm size some different data has emerged, from separate studies.

Two research papers indicate that that there is no correlation between company size and propensity to give (Yotsumoto, 2002; Trost, 2006), whereas a further study suggests that though there is little difference between the tendency in large or small firms to give to their communities, each of these sectors give more than do medium-sized firms (Amato and Amato, 2007).

Furthermore, a 2002 study found corporate philanthropy to be an effective strategic option for achieving corporate or brand-image objectives with benefits being achieved as regards influencing consumers even outside the targeted community sector receiving the support (Ricks, 2002). Other research further attests to the benefits of business exposure for a corporation and reinforces giving as a legitimate strategic activity undertaken by business decision makers (Saia, 1999).

In terms of the type of corporate giving, one study found that in-kind product donations, community service, and giving employees time for volunteer work contributed more to corporate image than large corporate donations (Hess, Rogovsky and Dunfee, 2002). Studies into the potential benefits of corporate giving have been undertaken for a number of years now with one of the definitive studies being that undertaken by US Cone & Roper, a large US research firm, throughout 1993/94.

In one of the largest studies of its kind, Cone Inc., a large US research firm, reported the following data from those surveyed (see Table 2.10; Cone & Roper 1993/4):
Table 2.10: Public Perceptions of Corporate Giving 1 (Undertaken in the US)

<table>
<thead>
<tr>
<th>%</th>
<th>Public Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>84</td>
<td>said they have a more positive image of companies that do something to make the world better.</td>
</tr>
<tr>
<td>76</td>
<td>said they would be more likely to buy a product associated with a cause they cared about.</td>
</tr>
<tr>
<td>66</td>
<td>said they would switch brands to support a cause they cared about.</td>
</tr>
<tr>
<td>62</td>
<td>said they would switch retail stores to support a cause.</td>
</tr>
<tr>
<td>64</td>
<td>said they believe that cause-related marketing should be a standard part of a company’s activities.</td>
</tr>
</tbody>
</table>


In terms of the demographic segmentation of the responses it was found that cause-related marketing activities that is, linking the company to worthy causes, had the strongest impact on people in higher education and income categories (Kotler and Lee, 2005).

The final point from the survey listed above is of particular interest. This is not for the fact that they believe that companies should support causes or that there is support for companies who publicly do this but that 64% of the American public appear to endorse the use of cause-related marketing to promote sales. They were not asked “Do you think that companies should support causes?” They were asked whether they believed that cause-related marketing should be a standard part of a company’s activities.

The United States is the home of marketing and it has been refined and honed and turned into an art form over many decades. Many other markets, including Australia, often follow US marketing trends. The seemingly strong public acceptance of the use of the link with the not-for-profit sector for marketing purposes is a noteworthy one, and prompts the question whether this may indicate that the Australian public would also agree. It is likely that the marketing executives of Australia’s largest corporations will be assessing the public’s acceptance of this type of reputation building.

Participation in philanthropic activities as a part of a strategic marketing plan is perhaps a more advanced concept in the United States than in Australia at this point in time. Research in the United States, collected and published by Business for Social Responsibility (2003, www.bsr.org—accessed 29 April 2006), indicates that benefits may include:

1. Increased customer loyalty and enhanced brand image;
2. Enhanced corporate reputation;
3. Strengthened employee loyalty and productivity;
4. Assistance with expansion into emerging markets.

The United States is not the only population who seem to feel this way. A study undertaken in 1999 by Environics International Ltd, The Prince of Wales Business Leaders Forum, and The Conference Board across 23 countries and involving 25,000 respondents found the following perceptions of corporate giving (see Table 2.11; Kotler and Lee, 2005, p. 12).
Table 2.11: Public Perceptions of Corporate Giving 2

<table>
<thead>
<tr>
<th>%</th>
<th>Public Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>said they wanted companies to focus on more than profitability.</td>
</tr>
<tr>
<td>67</td>
<td>said their impression of a company is formed on the basis of their perceptions of it from the standpoint of social responsibility.</td>
</tr>
<tr>
<td>67</td>
<td>said their impression of a company is formed on the basis of their perceptions of it from the standpoint of social responsibility.</td>
</tr>
<tr>
<td>40</td>
<td>said they responded negatively to companies that they perceived as not being socially responsible.</td>
</tr>
<tr>
<td>17</td>
<td>said they had avoided the purchase of products from companies who they perceived as not being socially responsible.</td>
</tr>
</tbody>
</table>


Other studies include those referred to in the Business for Social Responsibility website (2003, www.bsr.org—accessed 29 April 2006). These were:

1. Increased customer loyalty and enhanced brand image
   A study by public relations firm Hill and Knowlton called *Corporate Citizen Watch* (Connolly 2002) surveyed 2,594 Americans over the age of 18 and found that 79% of them take corporate citizenship into account when making purchasing decisions, with 36% rating this criterion as “serious” in their decision. Interestingly, only 2% of Americans surveyed rated US companies as “excellent” when it came to social responsibility.

2. Enhanced corporate reputation
   *Fortune* magazine’s annual survey of America’s most admired companies includes corporate citizenship. This is defined as including corporate community involvement and charitable giving. Canadian research firm Environics International conducted a survey in 2001 entitled *CSR Monitor* that surveyed people from 20 countries on five continents. This showed that the factor that most influenced a person’s perceptions of a corporation, thereby influencing him or her when participating in surveys, were issues relating to CSR:

   49% corporate social responsibility;
   35% brand quality / reputation;
   10% economic / management considerations.

   A survey of European business conducted by global insurer Aon found that respondents rated “loss of reputation” as the second greatest threat to their business after “business interruption”.

3. Increased ability to attract, motivate and retain employees
   In addition to improved relations with external stakeholders there is evidence to suggest that a commitment to philanthropic programs also produces benefits on the inside. Cone Inc research has shown that companies who participate in social investment experience a positive impact on current and prospective staff.

   Their survey demonstrated that employees in such companies were 38% more likely to express pride in their employer. As regards criteria for choosing an employer pre 9/11 48% of people who responded to this survey believed that a company’s commitment to causes was important in their decision and post 9/11 this rose to 76% (Cone Inc. 2002).
4. Assistance with expansion into emerging markets
There is considerable evidence of the practice of directing philanthropic contributions to countries where future market expansion is planned. Although it has been difficult to quantify the success of this strategy the practice is certainly commonplace.

One study reported on by Business for Social Responsibility (2003), undertaken by researcher He from Boston College, focused on the role of corporate philanthropy on gaining entry to new markets. A positive correlation was found, with the multinational corporation being viewed in favourable terms by the new host nation and business benefits flowing from this. This strategy has been seen on numerous occasions: in 2002 Microsoft pledged $US100 million in technology and training to the Mexican Government; Cisco Systems has established its Networking Academies, seeking to bring greater computer accessibility to high-school students across 150 countries; and Hewlett Packard has collaborated with the United Nations to computerise the micro finance industry in the developing world.

Other benefits resulting from corporate giving that have been suggested include increased appeal to investors and financial analysts, greater likelihood of winning government contracts, and enhanced share performance (Kotler and Lee, 2005, pp. 13–17).

2.4.11 Australian Momentum Toward Corporate Social Investment
The Australian Government is the largest source of funding for welfare program in this country. In 2007, $A146 billion in taxation revenue will go to welfare, yet the work of recipient organisations will still require considerable additional funds from both individuals and businesses (Ruthven, 2007, pp. 50–51).

Since 2000 the six reports containing the most relevant and comprehensive information on CSR and corporate social investment of Australian corporations are:


The Corporate Community Involvement report produced by the Centre for Corporate Public Affairs in conjunction with the Business Council of Australia (2000) provided some of the first insights into the motivations and expectations of Australian companies. In 2000 this study found that of the 200 large Australian companies surveyed 52% had policies or statements that related to community involvement. It perhaps needs to be noted that only 76 companies or 38% returned surveys and that there may have been a greater response rate from those companies that had developed policy.

To update this research would be valuable given the ever increasing interest in CSR within Australia. When motivations were investigated in 2000 it was found that they could be grouped into three categories:

1. Public good;
2. Commercial interest;
3. Enlightened self-interest.
More than 75% of the respondents saw their involvement in the community as a responsibility. The majority also took the enlightened self-interest view that community involvement was vital to the company’s success. The main benefits that companies hoped to get back in return were:

1. Enhanced corporate reputation;
2. Improved relationships with the community;
3. Increased employee morale, team work, and staff retention;
4. Cultural change that indicated long-term corporate direction.

The report showed that a high percentage (30%) of so-called community involvement funds was directed at sponsorship opportunities. This demonstrated the strategic use of community engagement, to further the above stated aim of enhanced corporate reputation, through brand identification with a perceived worthy cause.

The Australian Government published the report *Business Generosity Survey* (Australian Bureau of Statistics, 2002) specifically around business involvement in corporate investment. This showed that business donations in Australia in the 12 months 2000 to 2001 were $A1.447 million to the community sector. Types of support for the not-for-profit sector are found in Table 2.12.

**Table 2.12: Business Support to the Not-for-Profit Sector 2000/2001**

<table>
<thead>
<tr>
<th>Form of Support</th>
<th>Provided As</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money</td>
<td>Sponsorships</td>
<td>64</td>
</tr>
<tr>
<td>Goods</td>
<td>Donations</td>
<td>16</td>
</tr>
<tr>
<td>Services</td>
<td>Community projects</td>
<td>20</td>
</tr>
</tbody>
</table>


### 2.4.12 Barriers to Giving

Of particular interest is that the total value of giving by businesses only amounted to 0.15% of total income, 1.02% of wages and salaries, and 1.66% of operating profit before tax. Businesses who responded that they did not give as a part of their normal business policy were asked to provide the reason for their decisions. The responses in three major categories of giving—donations, sponsorships, and engagement in community projects—are illustrated in Tables 2.13, 2.14, and 2.15, respectively.

**Table 2.13: Reasons for Not Donating**

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources committed elsewhere</td>
<td>70</td>
</tr>
<tr>
<td>Not approached to donate</td>
<td>31</td>
</tr>
<tr>
<td>Had not ever considered donating</td>
<td>41</td>
</tr>
</tbody>
</table>


**Table 2.14: Reasons for Not Sponsoring**

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources committed elsewhere</td>
<td>63</td>
</tr>
<tr>
<td>Not approached to sponsor</td>
<td>27</td>
</tr>
<tr>
<td>Had not ever considered sponsoring</td>
<td>44</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Response</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources committed elsewhere</td>
<td>59</td>
</tr>
<tr>
<td>Not approached to participate</td>
<td>34</td>
</tr>
<tr>
<td>Had not ever considered participating</td>
<td>45</td>
</tr>
</tbody>
</table>


A recent article in regard to a government initiative to overcome a perceived lack of giving to Australia’s universities from alumni and the broader community highlights the issue of motivation. The Federal Government has established the Higher Education Endowment Fund or HEEF as a pass-through mechanism for such giving. However, as Michael Liffman suggests, this rather indirect form of giving may in fact deter many people who may prefer to pursue their natural inclination to have a more direct involvement with the recipient organisation (Liffman, 2007, www.theaustralian.news.com—accessed 16 May 2007).

### 2.4.13 Quantifying Australian Corporate Participation

Within an Australian context the *Giving Australia* report (Department of Family and Community Services 2005) gives valuable numeric data. Some of the key tables from the report are shown in Table 2.16. The report ventures into the motivations of corporations for participating in corporate social investment program. Although the motivations for business giving are quantified, the more qualitative areas concerning attitudes of businesses to many of the different facets of engagement are not dealt with in a comprehensive manner.

#### Table 2.16: Reasons for Business Giving

<table>
<thead>
<tr>
<th>Reason</th>
<th>Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is a good thing to do, irrespective of the returns for us</td>
<td>403,600</td>
</tr>
<tr>
<td>It is good for our organisations image</td>
<td>137,100</td>
</tr>
<tr>
<td>It is good publicity for our organisation</td>
<td>97,800</td>
</tr>
<tr>
<td>There is a tax benefit for our organisation</td>
<td>84,600</td>
</tr>
<tr>
<td>It is good for our relationship with clients or suppliers</td>
<td>76,500</td>
</tr>
<tr>
<td>It is good for employee morale</td>
<td>63,600</td>
</tr>
<tr>
<td>Other</td>
<td>1,800</td>
</tr>
</tbody>
</table>


The method of giving by the 525,900 businesses studied in the 2005 Giving Australia Report are identified in Table 2.17.

#### Table 2.17: Business Support to the Not-for-Profit Sector, 2005

<table>
<thead>
<tr>
<th>Form of Support</th>
<th>%</th>
<th>Provided As</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money</td>
<td>68</td>
<td>Donations</td>
<td>58</td>
</tr>
<tr>
<td>Goods</td>
<td>16</td>
<td>Sponsorships</td>
<td>25</td>
</tr>
<tr>
<td>Services</td>
<td>16</td>
<td>Community projects</td>
<td>17</td>
</tr>
</tbody>
</table>


In 2006 the Australian Government’s *Social Responsibility of Corporations* report (Corporations and Markets Advisory Committee, 2006) enquired into whether there needs to be greater legislative powers to govern corporate behaviour.
This included potential responsibilities in relation to the broader society and the agencies which work within the community. On the whole the recommendation of the report is for the government to allow businesses to ‘chart their own course’ (p. iii) and to ‘adopt a light touch’ (p. 9) in relation to these matters.

One thing business has always found difficult is measuring the tangible benefits of their corporate philanthropy or community engagement programs. The Corporate Community Involvement survey shed some light on the measurement process (Centre for Corporate Public Affairs, 2006). Of the companies surveyed only 9% felt they were accomplished, whereas 36% felt they were not very accomplished. Clearly this is an area requiring development if strong business cases for participation are to become a reality.

This was followed up by the Corporate Community Investment in Australia report, published during the course of this study being undertaken in 2007, in which 115 large companies were surveyed. Quantitative data published in this report has largely come from the previous reports already mentioned, in particular the 2006 study by the same organisation. One finding as regards motivation was that businesses ranked recognition by employees of greatest importance; the local community to be the second highest importance; followed by government, the wider community, business and alliance partners, customers, investors, and media; and the least important to be competitors (Centre for Corporate Public Affairs, 2007).

The report also showed that more than 60% of companies surveyed provide between 1 and 3 days a year paid work time for volunteering and, in addition, that nearly a third have a full-time member of staff to manage employee volunteering. The same report showed that 93% of businesses required a business case before investing in the community. Of those requiring a business case 24% required this to be focused on justifying some specific return on investment (Centre for Corporate Public Affairs, 2007).

One point that is important in any discussion concerning corporate social investment is that it does not necessarily just involve giving money away. Volunteering, mentoring program, pro bono services, the donation of goods, and provision executive time and skills and the use of influence are all important contributions. A number of organisations have been established within Australia to promote and facilitate this exchange. These include Pro Bono Australia, The Australian Charities Fund, and Nonprofit Australia.

Aspects of corporate social investment such as staff volunteering program, the provision of pro bono services, and matched-giving program are popular amongst many companies as they contain an element of direct employee engagement, with the staff member often electing which charity or cause to get involved with.

Sometimes this will involve a team, such as the staff from a retail store or a corporate department working together on a particular project, thereby becoming a form of surrogate team building. The Body Shop are well known for this practice with each store for instance in the Sydney market being required to adopt a community project for staff to work on outside their normal retail responsibilities. These ranged from bush regeneration through to visiting aged care facilities (Germein, 2005).
2.4.14 What Do We Expect From Our Companies Today?

Research by Cone Inc. in the US conducted in 2004 titled *Corporate Citizenship Study* (www.coneinc.com—accessed 28 February 2006) that surveyed 1,040 American adults focused on the potential negative consequences of poor corporate citizenship.

Interestingly this study had previously been carried out in 2002 and comparisons showed that although Americans were prepared to punish poor corporate behaviour there had been a slight reduction in this view from those surveyed:

<table>
<thead>
<tr>
<th>Action</th>
<th>2002</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Would consider switching companies</td>
<td>91%</td>
<td>90%</td>
</tr>
<tr>
<td>Would pass this negative report on to others</td>
<td>85%</td>
<td>81%</td>
</tr>
<tr>
<td>Would refuse to invest in such a company</td>
<td>83%</td>
<td>80%</td>
</tr>
<tr>
<td>Would refuse to work at that company</td>
<td>80%</td>
<td>75%</td>
</tr>
<tr>
<td>Would boycott that company’s products</td>
<td>76%</td>
<td>73%</td>
</tr>
</tbody>
</table>


Australian business employs many of the tried and true US marketing methodologies; however, it is unclear whether the Australian public embrace the use of cause marketing in the same way as those surveyed in the Cone Inc. research appear to. For example in Australia it is unclear whether the goodwill felt toward Ronald McDonald House flows on to McDonald’s hamburger restaurants, which founded the charity and which funds their valuable work.

2.4.15 What Do We Want From Our Employer?

In a smaller study called *Passionate People* (Cavill, 2004, www.cavill.com.au—accessed 17 July 2007), conducted jointly by corporate consultants Cavill & Co and Australia’s largest on-line job site, Seek.com, in 2004, it was found that the majority of people would prefer to work for a good corporate citizen. The study showed that 82% of people would prefer to work for a company that supported good causes if all other employment factors were equal. The survey was conducted with 1,100 people who all worked for companies with greater than 10 employees in either Australia or New Zealand.

It found that corporate community engagement was a particularly powerful strategy in attracting women, with 62% of women saying that a company’s reputation for supporting causes or charities was a very important factor in choosing to stay with a company, as opposed to only 37% for men. When asked to comment on the statement that it was not the job of companies to involve themselves in the community 78% disagreed with that statement. Interestingly, however, most struggled to think of companies that they saw as good corporate citizens. The top-rating companies were The Body Shop, McDonald’s, Hubbards-NZ, Warehouse-NZ, and Westpac (Cavill 2004, www.cavill.com.au—accessed 17 July 2007).
2.4.16 Charity Begins at Home

One question that undoubtedly arises when developing any strategic giving program is whether directing funding to charity works at home or abroad accrues the greatest benefit. Table 2.19 lists Australians’ top eight favourite causes as shown by the *Passionate People* (Cavill, 2004) report.

### Table 2.19: Australian’s Favourite Causes

<table>
<thead>
<tr>
<th>Cause</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s charities</td>
<td>54</td>
</tr>
<tr>
<td>Projects assisting the environment</td>
<td>47</td>
</tr>
<tr>
<td>Local community projects</td>
<td>40</td>
</tr>
<tr>
<td>Youth</td>
<td>38</td>
</tr>
<tr>
<td>Education</td>
<td>36</td>
</tr>
<tr>
<td>Animal welfare</td>
<td>31</td>
</tr>
<tr>
<td>Disabilities</td>
<td>28</td>
</tr>
<tr>
<td>Mental health</td>
<td>24</td>
</tr>
</tbody>
</table>


Overseas aid causes recorded the lowest level of interest along with indigenous projects; neither making the list of top eight above.

When the Bush–Clinton Fund was formed by the two past US presidents, it raised US$130 million in donations for those effected by Hurricane Katrina, yet only US$14 million for those effected by the Tsunami in South Asia (Clinton, 2007, p. 106).

Macquarie Bank donated $A1 million dollars to the town of Beaconsfield, Tasmania in May 2006 following the collapse of the gold mine in that town. At the time of the donation one miner was known to have lost his life and two others were trapped. With the eyes of the nation on the rescue efforts, and every news program in Australia carrying this as its lead story, Macquarie decided to channel this significant donation into this cause. It was very high profile and very local. Undoubtedly at the time there was great need, arguably stretching well beyond the lives of the two trapped miners and the loss of wages for others while the mine was closed. However, was Macquarie motivated by a desire to alleviate suffering and financial uncertainty for the town or to counterbalance a growing disquiet about its dominance of vital infrastructure?

Would Macquarie Bank’s reputation in the eyes of the Australian public have been more enhanced, if indeed this was a benefit sought by them, through this widely reported action as opposed to a less high profile and hence less widely reported donation of the same size to an overseas cause such as the work of the not-for-profit Hunger Project in Bangladesh? There is no right or wrong answer in connection with the decisions as to where donations are channelled. However, in connection with whether company objectives might be met, at the same time as alleviating the need of the recipient or recipient organisation, then certainly some strategic thinking is required.

Australia’s official government international aid agency is AusAID, the Australian Agency for International Development. No research exists to highlight the attitudes of Australians to the existence of this body or to the funding of projects in other nations. Nonetheless, corporate decision makers will need to understand how their stakeholders will react to the choices that are made concerning the issue of international aid.
Conversely, research in 2007 found that more than a third of companies spend between 20% and 39% of their corporate social investment budgets on local community projects. This was found to be particularly true of heavy industries and around remote facilities (Centre for Corporate Public Affairs, 2007).

It is perhaps interesting to ponder our own views on these matters as individuals. An ethical dilemma, posed by noted ethicist Peter Singer, highlights the issue of greater motivation through proximity and direct involvement—a point made earlier by Michael Liffman. He calls this “The Shallow Pond and the Envelope” (Tracey, 2006, p. 6).

Singer asks the reader to imagine a man coming across a child drowning in a shallow pond when on the way to an important meeting. Few would fail to condemn the man if he were to decide to walk on and allow the child to drown. The following day the same man receives an appeal in the mail from, say World Vision, inviting him to send a donation in the attached envelope to save the life of a child in Africa. Does the man owe a greater moral duty of care to the first child? This raises the issues of proximity and visibility as motivators that influence our decisions to give.

2.4.17 No Strings Attached?
Michael Porter argues that funds should be given to the not-for-profit sector when alignment to the donor company’s business objectives will occur when doing so. Examples of successful alignment cited are American Express funding training of students pursuing careers in the travel agency business and Apple providing computers for schools, presumably so that those students that develop early computing skills on Macs will be more likely to purchase these systems when older (Porter and Kramer, 2002).

In July 2005 a conference “Corporate Social Responsibility” was held in Sydney. The key note speaker was Michael Hawker the then CEO of the Insurance Australia Group, the largest insurance company in Australia. During a question and answer session following his talk the researcher asked for his views on community engagement overtly targeted to produce financial benefit for the corporation.

He talked openly about the community involvement of that organisation and his criteria. He argued that it only made sense to invest in, or in their case undertake research, into dangerous sections of road, that benefited both the community and the corporation. He explained that this benefitted the community and shareholders directly when these problems were remedied, as it led to fewer accidents, fewer insurance claims, and improved profits (Hawker, 2005).

Others of course have differing views; they include Richard Pratt, Australia’s third richest individual, Chairman of successful packaging and recycling company Visy Industries, and well-known philanthropist. In a television interview in response to the question why he is an advocate of corporate giving he stated ‘it is our sense of obligation, not our need for recognition that drives us’ (Pratt, 2007). Counter to this noble position stands the allegations that Pratt has been involved in one of the largest cartel arrangements in Australia, namely price fixing with competitor Amcor, thereby causing packaging costs and hence many food and consumer goods to be sold at prices perhaps higher than otherwise should normal competitive forces have prevailed.
2.4.18 Who Should Decide?
We can see that numerous decisions await the organisation that decides to participate in corporate social investing. These include the allocation of a financial budget, the level of involvement, where funds will be directed (ie locally or abroad), and in what manner this will take place (ie longer term projects or crisis relief). Another is whether to engage in multiple projects or to maintain a tighter focus. Elaine Henry, CEO of the Smith Family, suggests that she is concerned when corporate supporters spread their dollars too thinly across a large number of community organisations (Deans, 2007, p. 24).

However, another important component must precede these, and, that is, who should be making these decisions? Should some or all be made at board level? If that is not warranted, they should possibly be made at the CEO level or by the Corporate Affairs or Sustainability area of a company? The debate continues whether shareholders should vote on how a predetermined allocation of funds should be spent and, likewise, whether staff should nominate the charities and projects that they feel are most worthy of support (Frumkin, 2006). It remains unclear what the benefits are of these various alternatives.

Hailey Cavill, from consultancy Cavill & Co. has had this to say:

Companies which consult their employees about the cause they should support, then give them the opportunity to volunteer for that cause, will gain a competitive edge over companies that have no charitable involvement. (Williams, 2005, p. 33)

The Corporate Community Investment in Australia (Centre for Corporate Public Affairs, 2007) report found that although strategy and implementation are determined at a senior level, more than 50% of the over 100 companies surveyed consult their staff on specific community investment activities. However, this includes involvement in matched giving, where the individual's donation is matched by the employer, and in volunteering, where the staff member is directly involved.

2.5 Conclusion

The preliminary Literature Review detailed much of the overseas knowledge that currently exists around philanthropic traditions and practices and the current knowledge of this field as it pertains to Australian society. Although some literature was found to exist around corporate social investing in regard to the Australian corporate landscape, via the six reports undertaken since 2000 (see Section 2.4.11), this is still a relatively new field of enquiry; yet a vitally important one.

This ‘take-up’, then, is the most serious challenge facing business today, and it can not happen in serious and sustainable ways (ie. going beyond a corporate social responsibility that simply helps out communities) without a serious and significant change in our thinking and processing of the fundamental economics underlying our understanding of, and practise of, capitalism (Birch, 2003, p. 15).

The Corporate Community Investment in Australia report produced in 2007 concluded that the majority view in corporate Australia is that responding to community needs and social pressures is not inconsistent with, and when performed appropriately is conducive to, long-term returns to shareholders (Centre for Corporate Public Affairs, 2007).
The same report highlighted the need for greater professionalism in the presentation of a business case by the not-for-profit, often requiring a return on investment scenario. Furthermore it highlighted that companies are becoming less reactive to requests for giving, with 60% of companies surveyed allocating less than 20% of their budget to ad hoc requests (Centre for Corporate Public Affairs, 2007).

Business is prepared to admit that it too could improve in certain areas of its interaction with the not-for-profit sector, notably in its ability to measure outcomes—a normal business practice when more orthodox business investment takes place. Whereas almost half the companies surveyed in the above study now have fixed annual budgets for community investment, only 9% of companies said that they were accomplished at measuring business benefits and 55% stating that they were moderately accomplished (Centre for Corporate Public Affairs, 2007). According to this report it would appear that future trends are likely to be:

1. An increasing number of companies will catch up with current leading practice.
2. Large companies are likely to expand resources devoted to community investment and incorporate it into corporate strategy.
3. Companies will continue to build closer relationships with the not-for-profit sector.
4. Staff engagement, such as volunteering, will continue to be an area of growth.
5. Companies will increasingly address issues of accountability and stewardship of applied resources and seek better methods of measurement.

It would appear that there is a greater requirement than ever for funding and resourcing to flow from the corporate sector. Two recent articles would suggest that in some areas of society individuals may be giving less thereby leaving charities and their constituents more vulnerable. On 29 February an article appeared in the Melbourne daily newspaper headed ‘We’re Caring Less for Vulnerable’ in which Red Cross Acting Chief Executive, Dale Cleaver suggested that ‘compassion fatigued had become a real problem’ (Royall, 2008, p. 29).

A second article on 11 March appearing in the *Sydney Morning Herald* was titled ‘Rich Getting Richer—But Giving Away Less’ (Peatling, 2008, p. 3). The article suggests that:

> Charitable donations by Australia’s wealthiest people are not keeping pace with the riches delivered to them by a booming economy ….Rich Australians donated less than 3 percent of their net worth while Americans donated about 10 to 15 percent.

However, despite the trend as concerns individual giving there definitely appears to be a growth in engagement between the corporate and not-for-profit sectors. This may reflect growing societal expectations. To date this has remained a somewhat untapped source of social capital and competitive advantage for companies that choose to engage and a potentially vast source of funding for their potential partners.

This study proposes that each sector can contribute to each other, even though their primary focus is quite different and that each have gained degrees of expertise in their own respective fields that can be shared and transferred for mutual benefit (Anderson, 1983).
Chapter 3: The Research Methodology

3.1 Introduction

This study concerns the relationship between profit-making businesses and not-for-profit service organisations. (Blau and Scott, 1963) The field of enquiry encompasses the concepts of domain management, brand management, societal responsibility, management of multiple stakeholder interests, business ethics and morality, enhancement of corporate reputation, and the goal of long-term sustainability for both.

This chapter outlines the paradigm that the researcher is operating from and the research methodologies chosen that have been deemed to best meet the research objectives. The literature review provided much information but also raised many questions, which will surface again as a part of the research phase, with the resultant emerging knowledge hopefully casting new light on this subject matter.

3.2 The Research Questions

The primary research questions driving this study are:

1. Why do Australian corporations support the not-for-profit sector?
2. Is this relationship a symbiotic one?
3. How can this relationship between the corporate sector and not-for-profit sector be enhanced?

3.3 The Research Problem

We have seen that participation rates in corporate social investment program by Australian publicly listed companies are rising (Centre for Corporate Public Affairs, 2007). Yet, is there still a perceived conflict for Australian companies between support for the not-for-profit sector and their responsibilities to other stakeholder groups, notably shareholders, with particular reference to their profit objectives?

Given that this growth is occurring, the research seeks to answer the question “why?” Is it driven by the growing expectation from society that companies should engage in community investment programs or is it perhaps fuelled by the realisation by the corporate sector that benefits accrue for companies who do? Or perhaps both play a part? Could support for the not-for-profit sector and fulfilment of corporate responsibilities to stakeholders be mutually compatible and actually enhance the prestige of the participating organisation and contribute towards its sustainability?

Second, to investigate whether there are mutual benefits for both sectors and if so what these benefits might be. Thirdly the research sets out to enquire into what lessons have been learnt during the engagement process between the profit-making and not-for-profit sectors and to gather this advice in order that others may benefit.

Through the application of the selected research methodologies this study seeks to discover the answers to these questions and to see what emerges and/or is revealed as the study unfolds.
3.4 The Purpose of Conducting the Research

The purpose of this research is to promote greater participation in corporate social investment by Australian companies. Initially this is being sought through a better understanding of why some Australian companies engage in this practice and to ascertain whether participation in corporate social investment program and philanthropic activities only benefits the recipient, in this case the not-for-profit sector, or also the donor, that is, the profit-making corporation.

The outcome of this study should therefore contribute toward a greater understanding of whether these activities can be seen as an act of generosity, which some would see as irresponsible in the fiduciary sense, or a mutually beneficial exchange. If the latter then what are the benefits of corporate philanthropy that have been achieved by those corporations who participate?

If the research uncovers sufficient evidence that points towards a positive outcome, then it is hoped that this should assist with the decision to participate in corporate social investment programs or philanthropic activities for those companies who do not currently do so, or for those who participate in a very limited manner. The research, through uncovering a better understanding of the needs and motivations of corporations, seeks to disseminate these insights for mutual benefit. At the conclusion of the research key learnings provided by experienced practitioners and exemplar organisations will be tabled, which it is hoped may serve as a useful set of insights or guidelines of engagement designed to promote a more successful interaction for both parties.

It is the researcher’s belief that the dissemination and application of these insights has the potential to prove a valuable tool for the not-for-profit sector in its endeavour to increase rates of corporate social investment participation in Australia, potentially resulting in a valuable source of additional funding for the work undertaken by this sector.

3.5 The Research Objectives

1. To seek out a range of diverse opinions in order to enhance understanding of current attitudes and experiences in regard to the many complex issues surrounding the area of corporate social investment program and community engagement activities undertaken by companies within the Australian market.

2. To disseminate these insights to both profit-making and non-profit sectors to promote a greater understanding of each other’s viewpoints, in order to facilitate more effective interaction between the two, hopefully resulting in the greater flow of support for the community work in which the not-for-profit sector is engaged.
3.6 The Scope of the Research

The focus of this study principally involves business concerns that operate primarily with a profit motive and service organisations that form a part of the not-for-profit sector. (Blau and Scott, 1963). Grants from the government sector to libraries, galleries, and other such institutions, and to community projects and activities are not included. The study does not encompass investigation into donations from business to political parties or trade unions. Corporate sponsorship of professional sporting teams or branding associated with other commercial organisations is not investigated. Naming rights sponsorships or corporate branding of events are considered under the definition of corporate philanthropy or corporate social investment where the organisation accepting funding is a not-for-profit entity.

The study concerns philanthropic giving and the practice of corporate social investment by Australian companies. Tracey (2003) suggests that the term social investment encompasses acts of giving that involve a more strategic approach largely designed to build capacity within the recipient and is generally based on ‘the idea that both the donor and the recipient will receive some benefit’ (Tracey 2003, p. 5). It is therefore appropriate for the study also to include corporate sponsorships of not-for-profit organisations or their activities. The definition of sponsorship is taken from the Generosity of Australian Businesses report (Australian Bureau of Statistics 2000/2001, www.abs.gov.au—accessed 30 June 2006):

Voluntary transfer of money, goods and services to non-related community organisations or individuals in exchange for advertising or promotional benefits.

Tracey (2006, p. 15) adds a further dimension to his definition:

Corporate Social Investment occurs when a corporation integrates into its operations and decision making processes social, financial, environmental, ethical and philanthropic values, to ensure that its practices meet or go beyond society’s expectations of business.

For the purpose of this study social investment is not defined as specifically requiring this level of integration as no benchmark has been specifically established as to what society’s expectations currently are, although reference is made regularly to this concept. The research will touch on acts of charity with purely altruistic motivations. These charitable acts may seek simply to alleviate suffering, while other philanthropic acts may encompass a desire to build capacity within the recipient. Corporate social investment where a return on investment is sought will also be explored.

Although businesses may purchase goods or services from a not-for-profit organisation at market rates, they generally regard these purchases as falling into the category of donations by them. Examples of this may include the purchase of pens from the RSPCA or the purchase of tables at a benefit dinner for the Victor Chang Cardiac Research Unit or the Starlight Foundation. Therefore, it can be seen that the lines between actions with a material benefit for the giver, and acts of charity are blurred. This study includes this spectrum and attempts to bring greater clarity to the range of giving and its various motivations.

Under the definition adopted it is evident that pure altruism certainly does not have to be at the core of the motivation to give and this has been maintained by the researcher throughout this study.
Terminology tends to differ country by country with the term "corporate giving" being favoured in the United States. In the United Kingdom "corporate community involvement" and "corporate community investment" are more commonly used (Weeden, 1998). These are all contained within the scope of this study. It is perhaps also important to differentiate corporate citizenship from corporate social investment. The former involves an organisation conducting its activities against an internal or societal code of ethical conduct; the latter is a specific act of giving.

While seeking to better understand the motivation of profit-making companies the study is also concerned with exploring possible tension between the interests of the company owners; the shareholders, and the decision makers; company management that is, the agents of the owners. This is known as the agency problem (Micklethwait and Wooldridge, 2003). The motivation of partnerships, where owner and agent are generally one in the same, is also investigated. The publicly listed companies researched are contained within the Australian Stock Exchange (ASX) Top 200.

The study specifically focuses on companies operating within Australia, although does not exclude companies who also have overseas operations. The term 'publicly listed' indicates that they appear on the ASX. Reference is also made to smaller Australian companies to non-Australian corporations in an endeavour to position this research population in a broader context for reasons of comparison. Any reference to private firms denotes a profit-seeking company not listed on any stock exchange.

The research is seeking to understand the involvement of companies with the broader not-for-profit sector, and as such does not limit itself to Australian not-for-profit organisations or work carried out only in Australia. The support from Australian companies in overseas aid projects, for instance, increased significantly following the Tsunami of December 2004, in which much of the damage occurred in Indonesia, India, Sri Lanka, and across the South East Asian region. This has continued following the devastating cyclone in Myanmar and earthquake in China which both occurred in May of 2008.

3.7 The Research Paradigm

The concept of paradigm can be viewed as an interpretive framework or a basic set of beliefs that guide action (Kuhn, 1996). It denotes a world view that defines for the individual the nature of the world (Guba, 1990). This view of the world can neither be proven nor disproved by logic from outside that world (Lincoln and Guba, 1985). At the commencement of any research it is imperative that the researcher states the paradigm in which he or she intends to operate (Kumar, 1996).

A number of paradigms exist within a research context, including positivism, realism, critical theory, and constructivism (Denzin and Lincoln, 2003). Rather than attempting to put forward one paradigm as being superior over another it is more useful to regard the alternatives as points on a continuum with selection being based on what is most appropriate for the particular study in question (James, 2005). The attributes of the four principal research paradigms (Periera, 2004, p. 79) are:

1. Positivism—objectivist, naïve realism;
2. Realism—subjective, critical realism;
3. Critical theory—interpretive, historical realism;
This study into the participation of profit-making companies in social investment program could have taken many different forms and been based on any of these paradigms. The focus could have been on financial data, such as return on investment from corporate philanthropic activities. This would have lent itself to a largely quantitative study, which is not being undertaken. The researcher is seeking to understand why organisations behave in a certain way and hence a qualitative approach was deemed most appropriate. 4

As regards the classification of the researcher’s paradigm it was always going to be difficult for the researcher to be distant from, or disinterested in, the outcomes of this study and hence it was inappropriate that a largely objective or positivist approach was taken. Similarly research based on the realist paradigm, a modified objectivist position, would also typically utilise quantitative methodologies, (Jones, 2006) which were not the preferred option of the researcher. 5

The remaining two paradigms listed above are the paradigms of critical theory and constructivism, and the researcher’s paradigm contains elements of both. They each lend themselves to qualitative research approaches. The researcher is deeply interested in the subject matter and as only limited qualitative research, in an Australian context, currently exists, the study is of an exploratory nature and in this sense is theory building (Perry, 2001).

However, the researcher’s paradigm accommodates the notion that participation in corporate giving, and the experience which each company has, may depend on the particular circumstances of the company, on timing, on success of implementation, and may vary from situation to situation. The researcher is intentionally seeking a range of opinions and differing views, and is not seeking to prove one ultimate reality. The study is designed to highlight that in some instances positive outcomes can be obtained; in this case for the corporation that participates in greater community engagement through social investment.

Although the researcher seeks to increase participation rates, the researcher’s position is not one of condemnation of those businesses that do not participate in philanthropic practices, only do so in a limited way, or do so for their own gain. Although the researcher acknowledges the failings of many businesses, the intention is not to focus negatively on the old corporate structure but to provide and make more readily available insights into a new emerging corporate behaviour that may give confidence to those contemplating greater participation in corporate giving themselves.

Those influenced by the study may include business decision makers, as well as members of the not-for-profit sector itself through the adoption of more effective engagement practices that it is hoped will emerge from the study. As such the classification of a pure critical theorist may not be the most appropriate.

4 “Life is painting a picture, not doing a sum”—Oliver Wendell Holmes Jnr. “Not everything that can be counted counts, and not everything that counts can be counted”—Albert Einstein (www.quotesdbs.com—accessed 10 March 2008).

5 In order to assist doctoral candidates in the selection of a Supervisor, who they felt could best guide their particular research project, Southern Cross University organised an evening at which each prospective Supervisor introduced him or herself and his or her academic background. ‘The truth does not lie in numbers’ was the only introduction offered up by Professor Alex Kouzmin, and sufficient for me to decide to approach him with a request to supervise my work.
The researcher does not propose that an absolute reality exists that can be verified, quantified, replicated, and wrapped up in a neat package. In fact, the researcher holds the view that there are multiple realities that pervade our world, a world which is “messy”, “fuzzy”, “blurred around the edges”, and “ever-changing”. Despite seeking positive outcomes by focusing on corporations that practice social investment the research is still largely exploratory in nature and qualitative methodologies have been selected to most likely yield the insights and knowledge that the researcher is seeking.

As such, constructivism would appear to be the most appropriate description of the researcher’s paradigm and how the researcher views life itself. As Denzin and Lincoln state, ‘all qualitative researchers are philosophers’ (2003, p. 32) and in part this study is one of a study of human nature, at least the nature of corporate decision makers. Hence a more interpretive paradigm has been chosen, utilising qualitative research methodologies. This approach is also deemed to be most appropriate in that the study largely concerns the formulation of theory from extensive information gathering.

One of the key differences between quantitative and qualitative research methods is the selection of methodology as regards sample size. The sample size selected for this research—ten interviews leading to five case studies—would place this study in the classification of a relatively small sample size. This further lends itself to a qualitative approach (De Ruyter and Scholl, 1998).

This choice of paradigm can also be viewed through the classifications of deductive and inductive approaches:

1. Deductive research methods are largely concerned with theory testing, which allows for conclusions to be made following the research outcomes that either support or diminish the validity of the initial theory.

2. Inductive research methods are more useful when one is seeking to establish a proposition, to explain facts—that is, theory building. These methods lend themselves to an interpretive research paradigm (Yin, 2003) and hence an inductive approach has been chosen for this study.

3.8 The Research Methodologies

Within a qualitative framework numerous research methodologies are available to the researcher (Charmaz, 2003). In-depth interviews and case studies have been chosen as the most appropriate tools for information gathering in a research project of this nature (Denzin and Lincoln, 2003).

The research objectives were to uncover exemplar organisations that have implemented professional and successful corporate investment program and that engage effectively with the not-for-profit sector. It was important to understand what is working in order to pass this information on to others. Therefore, the methodologies mentioned above were seen as producing richer data than alternative methods such as questionnaires (Yin, 2003).
Initially the project was to commence with a pilot phase of interviews potentially drawing from pre-set questions. The intention was to allow the researcher, who had no previous experience in qualitative interviewing, to learn from these initial pilot interviews and then to standardise on a style and line of questioning following the conclusion of that phase. The researcher, however, did not proceed with this pilot and moved straight into the qualitative interview phase. The initial pilot questions have still been presented in Appendix 2. This change of approach occurred primarily for three reasons:

1. The willingness of the initial interviewees to discuss their views openly.  

2. Their propensity to talk at length on particular aspects of the research that they were most passionate about, rendering an approach of fixed questioning somewhat obsolete, particularly given the time constraints that existed for most interviews.

3. The entirely different nature and personality of each interviewee.

The valuable contribution of each person that resulted from each interview has been included in the body of research rather than simply as part of a pilot preceding the main study.

3.8.1 Qualitative Interviews

The nature of an interview is, at this point in our social history, rather self-evident. However, throughout history those whose opinions were more valued were often limited to those holding positions of political, judicial, academic, or religious power. This is no longer strictly the case and this shift to accommodate views from a great range of people in society has been described as ‘the modern temper’ (Reisman and Benney, 1956, p. 225) and has been used to describe both cultural and interpersonal changes. It is a far more accepted concept these days that insights into social issues can be obtained from a vast variety of sources. Interviewing is one established method of gaining a range of views. However, even this technique can take numerous forms (Gubrium and Holstein, 2001).

Unlike the use of a questionnaire or survey, the epistemology of the qualitative interview aligns itself more with a constructivist paradigm than a positivist one (Warren, 2001). Interviews formed a large part of the research approach to data collection in this study. They took a conversational form, with an emphasis on asking questions and listening (Kvale, 1996). The use of a free-flowing and unstructured style, using convergent interviewing techniques, with emphasis on listening and observing, to ensure that the interviewees' stories were heard (Carter, 1993).

The researcher at all times attempted to allow the interviewees to tell their story, while being mindful that it was necessary to gain insights into the key concepts of the research (Rubin and Rubin, 1995). Permission of participants was sought to record these conversations so as to allow the interviewer to focus on the interviewees, and their responses, not note taking.

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6 It was the experience of the researcher that unexpected openness unfolded in most interviews. The researcher found he not only gathered data but that the process afforded him the opportunity to fulfil an ethical imperative to examine his own personal ideas while listening to the thoughts of his interviewees who had been involved for far longer in this field.
A question pertaining to this was listed on the informed-consent sheet that each interviewee signed. At all times richness of data was sort from participants, who were encouraged to discuss openly their experiences to facilitate insights through words not numbers (De Ruyter and Scholl, 1998; and see Kouzmin, 2005) with the revelations providing insight rather than measurement for the study (Perry et al, 1997).

The researcher was interested in uncovering and pursuing concepts and individual interpretations from the respondent, more than facts, which were left to the case-study phase. The research design called for the data from various respondents to be revisited in an endeavour to seek out richness and texture.

Potential weaknesses in interviewing as a technique of discovery, where even confidential interviews may not necessarily generate the truth but only that which a person is willing to share at a particular moment, were acknowledged and noted and taken into consideration (Becker, 2000). There were occasions where interviewees requested that statements made were not to be used and these requests were adhered to.

To avoid any discomfort for the interviewee the researcher chose not to probe too deeply into each respondent’s background concerning such issues as childhood influences, ethnicity, current financial status, religious affiliations, etc. However, where these were volunteered, some questioning with sensitivity was embarked on. In addition to respecting the privacy of the interviewee the researcher was also mindful that it was important to create a climate of comfort and trust in order to facilitate the greatest flow of views and insights from each participant.

In Phase One of the study the research design consisted of ten interviews undertaken with senior individuals from a range of organisations, all of whom were felt to be relevant to the study and all of whom were included due to their ability to contribute to a broad range of views on this subject (see Table 3.3 later in this chapter). In this qualitative interview phase the researcher was attempting to uncover all relevant concepts to the study, and to then take this more complete understanding into the case-study phase.

Representatives from three not-for-profit organisations, being large to relatively small, were selected for interview. Additionally, senior representatives of associations that had made public comment on the appropriateness or otherwise of corporate social investment were interviewed. Further, opinions were sought from individuals; in one case a noted philanthropist and also several influential social commentators. Although reference was made to the ease with which interviewees participated in the interview process itself, the same cannot be said for the effort required to gain agreement to participate in the first place.

Firstly, a contact point had to be established for each potential interviewee. This in itself proved difficult at times with some potential interviewees, strictly speaking, not having their own specific offices but appearing in television program or writing for multiple publications. Once an address was confirmed, often through multiple phone calls, the approach taken was to mail a hard-copy covering letter to each intended interviewee’s office requesting a 30 min interview. Initially the request was for a 45 to 60 min interview, but this proved to be problematic as it was deemed by the Executive Assistants contacted to be too great an amount of time to commit the person to.
An information sheet on Southern Cross University letterhead was also included, along with a letter signed by Associate Professor Peter Miller, Director, Doctor of Business Administration Program, verifying that the work was bona fide. Sample copies are contained in Appendix 3.

This was then followed up by phone approximately a week after it was believed that the letter should have been received. In each case the researcher rang the main switch of the organisation and requested to be put through to the Executive Assistant of the person with whom the interview was intended. In every case the person could either not remember receiving the letter of request or could not find what they had done with it. In each case it was re-sent, this time as an email attachment to the person with whom the situation had been discussed. This time two weeks were allowed to elapse upon which time a second phone call was made. In most cases the person had been too busy to follow up and a suggestion was made that I would call again in a week or so. In some cases the person was waiting for the intended interviewee to advise them of his or her willingness or a suitable time for the interview to take place; additional calls needed to be made in these instances.\(^7\)

The researcher emphasised at all times that complete flexibility existed around timing, location and format of the interview. In the case of Dick Smith this resulted in conducting the interview by telephoning him at home, due to his travel commitments. In the case of Phillip Adams the researcher was invited to visit him at his home in Paddington in Sydney as this was most convenient for him. The others were conducted in the person’s primary place of work. In only two cases was contact made without an interview resulting. One was with David Gonski, the Vice Chancellor of the University of New South Wales where the researcher had completed an MBA. Along with his university responsibilities he is also a successful businessman and noted philanthropist. The Executive Assistant advised that he was far too busy at any stage in the future, and the researcher felt it advisable not to pursue the initial request.\(^8\)

The second occasion regarded Stephen Maine, a well-known journalist writing in the field of corporate behaviour; only a ‘Contact Us’ email address on the website established by the individual could be located as a possible contact point. Three emails requesting a reply were sent before the researcher read that Stephen Maine had recently sold his interest in that site. No other contact point could be determined.

One additional occurrence was that during one interview the digital recorder stopped recording 5 min into the interview. Interestingly all comments made up to that point in time pertained to the Westpac Banking Corporation, which subsequently became one of the case studies, and so this information was used in this context.

\(^7\) During this phase of the study the researcher contacted Melbourne University Press to see if there may be any interest in publishing a book containing aspects of the research once the study was completed. A positive response was received. When calling with interview requests the explanation given was slightly modified to include this possibility. A markedly greater interest in participating was then noticed.

\(^8\) Once several interviews were conducted the process became easier as the names of previous interviewees were used as referrals. For example, when following up an initial letter with an Executive Assistant, the researcher would have a conversation along the lines of “Dick Smith has been kind enough to allow me to interview him and I was wondering if you could pass on my request to X to see if she/he would also be able to spare me thirty minutes”. As the researcher was working within a particular field most of the prospective interviewees knew each other. For example, when the researcher mentioned to Phillip Adams that the next person he was interviewing was Denis Tracey, he replied, ‘I know Denis, he lives with my daughter’.
This interview was with Gina Anderson, the CEO of Philanthropy Australia, in Melbourne, who had previously worked for Westpac in its Sydney head office. Hence, three additional potential interviewees were added to the previously selected group of ten.

The sampling logic (Yin, 2003) was that by interviewing people from a broad range of fields albeit all relevant observers and commentators, a more holistic body of knowledge would emerge.

Once recorded using a small digital recorder, interviews were then transcribed by the researcher using Dragon Naturally Speaking software, obtained specifically for this purpose. Considerable care was taken to ensure that each transcript was as close to a verbatim facsimile of the original conversation, omitting such things as “ums and errs”. Interruptions that took place because of mobile phone calls and a knock on the office door etc. were also excluded; likewise, wherever the interviewee stated that a comment was not be transcribed (which occurred in several interviews). The current technology available does not allow for multiple voices to be transcribed by voice-recognition software, as the software relies on being trained to attune itself to one specific voice. Therefore, the researcher listened to each recording and simultaneously dictated the interviews using a headset and microphone. The software then turned the researcher’s speech into text. The recordings were remarkably clear, although considerable editing was still required.

Human and computer errors invariably occurred both when speaking and when transcription was taking place. It has been rather insightfully stated that the very concept of a sentence is rendered rather redundant when a researcher attempts transcription, not to mention the challenges thrown up by where full stops, commas, etc. should be inserted (Poland, 2001). Therefore it was necessary to ensure that each recording was listened to several times so that each transcription was as accurate as possible in capturing each respondent's thoughts. The decision to personally transcribe each tape helped to mitigate the possibility of inadvertent misrepresentation that would have been more likely to occur if an external transcription service had been utilised (Patton, 1990).

Various areas of discussion and concepts emerged during the course of the ten interviews, which were then grouped under the following categories after the conclusion of this phase.

2. Corporate governance.
3. Corporate responsibility.
4. Motivation for businesses participation.
5. Cause marketing.
6. Return on investment.
9. Advice for either sector.

Considerably better informed, the researcher then carried his insights into the case-study phase. The selection of profit-making companies was based on a strong level of participation in corporate social investment, the recommendations of interviewees from the qualitative interview phase, and accessibility key personnel and relevant company data.
3.8.2 Case Studies
Case studies, also known as fieldwork (Becker, 1992) and multisite qualitative research (Herriott and Firestone, 1983), are seen as a very productive way of gathering information in a qualitative study (Stake, 2003) and formed the basis of Phase Two of the study. They are advocated as a data-collection tool, especially when seeking answers to the “how” and “why” questions associated with this type of research (Yin, 2003). They are also seen as appropriate when the researcher is seeking to understand contemporary events over which the he or she has no control (Bonoma, 1985). They can contain what Jensen and Rodgers (2001, p. 236) call ‘golden nuggets that await discovery’.

Perry (1997) emphasises the value of case-study methodology when seeking to explain rather than measure. He states that they are a valuable tool in generating hypotheses but have limitations in proving them (Perry, 2001). Nevertheless, as a core component of this study concerned investigating the motivation to give, case studies were seen as an effective methodology. Stake (2003) classifies case studies into three categories:

1. Intrinsic—where interest is limited to that one case;
2. Instrumental—where generalisation is sought;
3. Collective—where an instrumental study is extended to several cases.

The cases contained within this study could be deemed to be collective in the sense that they were of interest for their collective relevance to the interaction between a profit-making company and the not-for-profit sector, as useful examples of successful engagements. Multiple case studies thereby allowed for the possibility of cross-case analysis, which it was hoped would lead to richer theory building.

There appears to be no consensus as to the quantity of case studies required for a doctoral thesis. Equally as regards generalisability, or the ability to apply insights gained in research to a broader population, there appears to be little consensus. Dick (1999) states that greater generalisability does not flow from studying more than one case. Yin (2003) states that even a single case is acceptable if the case is critical for confirming, challenging, or extending theory.

In keeping with the non-numeric nature of qualitative research, greater emphasis was placed on information richness than on quantity of cases (Patton, 1990). However, by definition, more than one case would be required for any cross-case analysis or for the building of examples across a diverse range of environments to occur.

After due consideration the study of five corporations was decided upon with the belief that these would be sufficient to provide the insights sought. One pragmatic consideration also was the time that had already been committed to the qualitative interview phase and that would now be required for these multiple corporations to be contacted and studied. The range advocated by Patton (1990) when discussing multiple cases was broad, being from two to fifteen.

The five companies that were selected for examination were of considerably varying sizes and corporate structures, although all were known to participate in corporate social investment program. They came from four different industries, to see if any perceived differences emerged in regard to their unique markets. Equally, as one of the fundamental aims of the research was to promote greater corporate giving by other profit-making companies that may be exposed to the study, it was felt that if the case studies were limited purely to one industry, for example banking alone, then any suggestions of generalisability may be open to criticism.
Multiple case studies thereby allowed for cross-case analysis, which it was again hoped would lead to richer theory building. It was on the basis of the range of cases prescribed by Patton (1990) that the researcher gained confidence that generalisation of any positive conclusions, as regards the value of their community engagement program, could be made, and that the choice of diverse industries and types of companies would strengthen any possible claim of broad applicability (Vaughan, 1992). Countering arguments against generalisability, the researcher supports the view expressed by Campbell (1975) when he advanced the position that even an intrinsic case study could be seen as a small step toward greater generalisation.

As regards the selection of which organisations to conduct case studies with, the guiding principle was one of replication as a result of their common involvement with corporate social investment or corporate community engagement program. In this sense the cases were multiple experiments, as opposed to simply multiple respondents in a survey (Yin, 2003). The research populations chosen for the case-study phase were established through purposeful sampling (Miles and Huberman, 1994). They were those organisations that, through the researcher’s own investigations and information provided during the interview phase, had been determined to participate in social investment program in a significant way.

During the case-study component, interviewing would again play an important role. However, these were more in-depth in nature and leveraged off the extensive qualitative interviews already undertaken. The data obtained in the case studies went well beyond those obtained in the qualitative interview sessions. The case studies delved more deeply into the motivations by these specific organisations for participation in philanthropic pursuits, along with uncovering any data the company itself had as to the type of participation and outcomes of the program.

Delaying selection of corporations to participate in the case-study phase until all initial qualitative interviews were completed was seen as one way of mitigating a potential weakness in the case-study methodology; namely, the possibility of the case-study subjects being unrepresentative of the investigated research field or potentially yielding little valuable data (Yin, 2003). The research design called for the study of profit-making companies from different industries in order to gain insight as to whether the different market forces and pressures faced across different industries perhaps influenced motivations or participation rates in social investment or community engagement program.

Companies from the following industries were studied:

1. Banking;
2. Professional Services;
3. Mining;
4. Telecommunications.

Access was sought to a number of people involved in decision making concerning corporate social investment, however, requests to interview the CEO him or herself, were not successful.

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9 One additional value of the interview phase, in addition to developing a greater understanding of the whole field of corporate giving and the issues surrounding this field, was that the researcher was able to ask for the opinions of the interviewees as to which companies may be most appropriate to use as case studies.
The researcher was always mindful not to put anyone under pressure when requesting interviews and was respectful of the limited time and high level of commitments that each person already had.

Interviews within the context of the case studies were all undertaken with national managers, who were the most senior people responsible on a full-time basis for either the community investment program of that organisation or for the activities of the company's philanthropic foundation.

As one function of the study could well be to serve as a resource for others seeking to promote greater corporate social investment, this again reinforced the selection of case-study methodology, as it is often used as a teaching device for management or marketing education (Perry, 2001).

The motivations of senior management were one insight that was sought. In its article, “Faith, Hope and Philanthropy” the Economist.com suggests that much of the giving taking place today is motivated by the personal experiences of the giver (www.economist.com 2006b—accessed 23 February 2006). Some of these motivations are categorised in Table 3.1.

Table 3.1: Motivational Continuum

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Altruistic</td>
<td>Company acknowledging obligations to society. Primary aim being the betterment of society.</td>
</tr>
<tr>
<td>2. Enlightened self-interest</td>
<td>Company motivated by improving society while at the same time open to opportunities that will benefit the company.</td>
</tr>
<tr>
<td>3. Strategic—societal focus</td>
<td>Company seeks to support corporate strategy while also supporting the society in which it operates.</td>
</tr>
<tr>
<td>4. Strategic—company focus</td>
<td>Company acknowledges its role in society but its primary focus is on increasing shareholder wealth.</td>
</tr>
<tr>
<td>5. Appeasement</td>
<td>Having damaged society in some way, it seeks to rebuild its reputation for the purpose of increasing shareholder wealth. Includes short-term crisis mitigation.</td>
</tr>
<tr>
<td>6. Personal</td>
<td>Altruistic—motivated by personal belief system.</td>
</tr>
<tr>
<td>7. Personal</td>
<td>Strategic—motivated by personal gain.</td>
</tr>
</tbody>
</table>

Source: Adapted from Burlingame and Fishkoff, 1996 (CEO Taskforce 2002).

During the in-depth interviews conducted as a part of each case study it was necessary to develop and build on intimacy to maximise the effectiveness of the interviews, which in turn led to respondents offering insights into their own values and lived experience (Johnson, 2001). The researcher spent considerable time within each organisation that participated in the case studies, leading to what Blumer (1969) calls ‘intimate familiarity’. The exception to this was with Telstra, where only limited access was granted by telephone.
In this case study a face-to-face interview proved problematic, and a briefer than normal telephone interview had to be conducted as an alternative. As the Telstra website was rich in information this proved to be a reasonable alternative for the information required although not yielding as rich information as an in-depth interview might have.

Analysis of annual reports, CSR reports, and other company documentation also took place as a part of each case study, which gave not only insight into how the company wished to portray itself, but also provided access to some statistical data around social investment participation.

One strength of case studies is that they lend themselves particularly well to the use of triangulation (Stake, 1995), a method used to avoid inaccuracy, misinterpretation, and leaps of faith without confirmation. In the context of this study this took the form of using a variety of data sources as well as the use of the multiple methods already mentioned. This section of the research was seen as potentially a particularly valuable and positive source of data for the not-for-profit sector in furthering its pursuit of increasing participation in social investment by Australia’s corporations.

3.9 The Research Population

The research population was selected from companies currently operating within Australia and the Australian and international not-for-profit organisations that they support. The work undertaken by these not-for-profit organisations included work both here in Australia and abroad. The interaction between the two, for example, that involved financial contributions, allocation of goods and services and other resources, pro bono assistance, matched-giving program, and other forms of support, was studied.

The role of the leader in these decision-making processes and the notion of compatibility or non compatibility with shareholder responsibility when a company engaged in corporate philanthropy, were studied. As were the consequences that had been experienced by participating companies and whether these were all positive or whether negative consequences were perceived to have occurred at any point.

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10 An initial request had been sent to the Telstra Foundation, which had responded positively and a date, and the exact person to be interviewed, was being arranged to suit the participant. This involved the researcher travelling to Melbourne on whatever date was requested. However, the final decision was that Maria Simpson, the National Manager for Community Investment, who worked outside the Foundation, was the best person and my initial request was forwarded by the Foundation to her. At this point considerable time had elapsed and it was getting close to the end of the year with holidays for most employees about to commence. This resulted in a message being left for me on my voicemail indicating that a face to face interview would not be possible. I returned the call and suggested that the interview be delegated to another staff member, however, this was not seen as an acceptable option. I subsequently conducted a 30 minute telephone interview with several emails exchanged following this.
3.10 Ethical Considerations

Establishing and maintaining a strong ethical position is vital for any research (Bouma, 2000). It is believed that the research design met the highest ethical standards and research was undertaken in a manner that adhered to established codes of conduct.

Guidelines included:

1. Voluntary participation of all concerned;
2. Informed consent using the universities prescribed documentation;
3. Guarantees of confidentiality and/or anonymity where requested.

It was understood that to breach these, or to treat data in a careless manner either in the writing up of the research or in terms of privacy of data storage, might not only harm the interests of the respondents but could also diminish the validity of the research and even damage the reputation of the researcher and possibly that of the university itself.

The nature of the constructivist, collaborative approach helped to ensure that power and control were transparent, negotiated, and shared. (Olesen 1994) Careful consideration was given to the research design as well as its implementation to ensure that no deceptive conduct took place of any kind and findings were presented in an objective manner. During the research design and formulation of interview questions the researcher asked of himself the questions which appear in Table 3.2, the Ethics Checklist.

Table 3.2: Ethics Checklist

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Could any harm come to participants in this study either directly or indirectly?</td>
<td>No, as the University’s guidelines will be followed as regards confidentiality and anonymity.</td>
</tr>
<tr>
<td>2. Could any harm come to non participants from this study?</td>
<td>No, it is highly unlikely that any information gathered or analysis performed on the data could cause harm.</td>
</tr>
<tr>
<td>3. Will the research violate established research protocols and guidelines?</td>
<td>No, as the research design will have been approved by the University and approval guidelines will be followed</td>
</tr>
<tr>
<td>4. Could the research violate community norms or established standards?</td>
<td>No, as the researcher will at all times be mindful of the importance of respecting these.</td>
</tr>
</tbody>
</table>

Source: Adapted from Hussey and Hussey (1997, p. 39).

3.11 Definitions

A company is defined as being a structure established primarily to engage in commercial profit-making activities. Any reference to publicly listed companies pertained to an entity that was listed on the Australian Stock Exchange. The publicly listed companies researched were those contained within the ASX Top 200. In the case of PricewaterhouseCoopers (PwC) who participated in the case study phase, this entity is a partnership rather than a publicly listed company, as defined by having multiple equity partners.
Willingness to participate and access to appropriate senior management were significant determinants in the final selection of companies to study. These were drawn from the industry sectors outlined in Section 3.8.2.

3.12 Delimitations

The views of at least one key association that was understood to be opposed to corporate giving was sought during the interview phase—the Australian Shareholders’ Association—as well as one individual who was more predisposed toward personal giving, noted philanthropist Dick Smith. These were deemed valuable in order better to understand this side of the argument, which is considered important within the context of unbiased research.

The study did not encompass investigation into donations from business to political parties or trade unions as a domain management strategy, where the prime motivation may be to influence decision making to generate greater control of the task environment. Sporting sponsorships, deemed primarily to represent a form of brand advertising, were also not included in the study.

Although studying Australian profit-making corporations the research did not, however, limit itself to Australian not-for-profit organisations or to work carried out only in Australia. If a company involved in the case-study phase was involved in some way with projects run under the auspices of Médecins Sans Frontières (Doctors Without Borders) a Paris-based NGO, or Oxfam or World Vision for instance then this research was still interested in this relationship by virtue of the involvement of the company under study.

3.13 Potential Research Subjects

The research population selected as likely to produce a range of opinions is outlined in Table 3.3.

Table 3.3: Interview Research Population

<table>
<thead>
<tr>
<th>Organisation</th>
<th>No. Interviews</th>
<th>Category</th>
<th>Knowledge Sought</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associations</td>
<td>3</td>
<td>Industry observers</td>
<td>Understand attitude</td>
</tr>
<tr>
<td>Not-for-profits</td>
<td>3</td>
<td>Potential recipients</td>
<td>Understand experience</td>
</tr>
<tr>
<td>Individuals</td>
<td>4</td>
<td>Philanthropists/commentators</td>
<td>Understand attitude</td>
</tr>
</tbody>
</table>

Perry (2001) advocates that between 10 and 60 is an appropriate number of interviews to undertake. However, he suggests that 35 would suffice for a PhD thesis where these interviews were the primary method of information gathering. The researcher chose to conduct ten interviews as these were largely to inform and up-skill the researcher prior to the five case studies that were the primary mechanism for information gathering. This combination of ten qualitative interviews leading to five case studies, which in their own right contained in-depth interviews, was considered to be suitable to yield the necessary data to allow completion of this study.
3.13.1 Interviews with Individuals

As a part of this study a potential pool of interviewees was developed and a number of these were approached. It was felt that these people could provide relevant insights into the field of corporate social investing in Australia. Dick Smith is one of the best known philanthropists and entrepreneurs in Australia and he and his wife personally donate considerable sums of money to the not-for-profit sector. This interview was of particular interest in that Dick Smith ran successful companies whose participation was less significant than that of his own personal giving.

He was chosen as an interview subject as he did not appear to participate strongly in corporate giving, at the same time donating large sums of his own money to charity. Two others, Geraldine Doogue and Phillip Adams, were interviewed in their capacity as social commentators who regularly voice their views through newspaper columns, and in television and radio broadcasts.

An initial list of potential individual interviewees that was drawn up by the researcher is given in Table 3.4.

Table 3.4: Potential Interviewees—Individuals

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dick Smith</td>
<td>Chairman, Dick Smith Foods</td>
<td>Interviewed</td>
</tr>
<tr>
<td>Phillip Adams</td>
<td>Broadcaster, Radio National</td>
<td>Interviewed</td>
</tr>
<tr>
<td></td>
<td>Journalist, Australian and Bulletin Magazine</td>
<td></td>
</tr>
<tr>
<td>Geraldine Doogue</td>
<td>Broadcaster, Radio National</td>
<td>Interviewed</td>
</tr>
<tr>
<td></td>
<td>Presenter, ABC Television</td>
<td></td>
</tr>
<tr>
<td>Michael Traill</td>
<td>Founding CEO, Social Ventures Australia</td>
<td>Interviewed</td>
</tr>
<tr>
<td>David Gonski</td>
<td>Chairman, Investec Corp.</td>
<td>Unable to interview</td>
</tr>
<tr>
<td></td>
<td>Vice Chancellor UNSW</td>
<td></td>
</tr>
<tr>
<td>Stephen Maine</td>
<td>CEO, Crikey.com—shareholder activist</td>
<td>Unable to interview</td>
</tr>
</tbody>
</table>

Source: Developed for this study.

3.13.2 Interviews with Associations, Affiliated Organisations, and Interested Groups

A number of organisations that either work in closely related fields to the not-for-profit sector or have made significant comments in relation to the area of corporate social investment were included in this study.

Within Australia there are a number of individuals and organisations who have made strong public statements in regard to this field of research. These statements range from the inappropriateness of corporate participation, through to the obligation of corporations to participate at higher levels than currently exist in Australia. Also views such as the inappropriateness of benefits, including the building of social capital, accruing to the donor companies who participate in corporate social investment.

The researcher contacted these organisations and individuals to request interviews as a method of gaining insight into their perceptions of the motivations of individual senior managers and companies that participate in social investment program and to gain greater insight into this whole field through having them share their experiences and observations.
An list of potential interviewees from such organisations, initially created by the researcher, is provided in Table 3.5, below.

**Table 3.5: Potential Interviewees—Associations**

<table>
<thead>
<tr>
<th>Organisation/Individual</th>
<th>Relevance to Study</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Shareholders’ Association</td>
<td>Strongly opposed to corporate philanthropy</td>
<td>Interviewed</td>
</tr>
<tr>
<td>St James Ethics Centre</td>
<td>Supportive of philanthropy</td>
<td>Interviewed</td>
</tr>
<tr>
<td>Asia Pacific Centre for Philanthropy and Social Investment</td>
<td>Dedicated to the promotion of philanthropy</td>
<td>Interviewed</td>
</tr>
<tr>
<td>Philanthropy Australia&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Dedicated to the promotion of philanthropy</td>
<td>Interviewed</td>
</tr>
<tr>
<td>Ecos Corporation&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Consultants on business sustainability</td>
<td>Not interviewed</td>
</tr>
</tbody>
</table>

Source: Developed for this study.

a. Following this interview it was realised that the digital recorder had malfunctioned and insufficient notes had been taken by hand to include the participant’s involvement as one of the ten interviews; hence, one additional interview was undertaken. Some comments were however utilised later in the Westpac case study.

b. All of the above were interviewed with the exception of Paul Gilding of Ecos Corporation who was not approached in the end as another company associated with Ecos Corporation, Easy Being Green, ceased operating shortly before he was due to be contacted. This was as the result of the collapse of the Carbon Trading Scheme that it had set up and it was felt inappropriate to contact him during a period where his priorities needed to be with his former staff and clients.

### 3.13.3 Interviews with Not-for-Profits—Potential Recipients

Senior executives from three not-for-profit organisations were interviewed to understand better their expectations of the corporate sector and their alignment or otherwise with the views gathered from the interviews conducted within other sectors. One pilot interview was conducted initially, with the Asylum Seekers Centre, using the questions contained in Appendix 2 to assess their effectiveness in drawing out valuable information and insights.

Additional pilot interviews were not pursued as it was found that each interview was unique and set questions were deemed not to be appropriate. Also interviewees tended to give their views freely and adherence to set questions developed in a pilot phase was felt to have the potential to stifle this flow.

The initial pool of interviewees considered is reported in Table 3.6.

**Table 3.6: Potential Interviewees—Not-for-Profit Organisations**

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Field of Work</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxfam</td>
<td>Crisis relief / sustainable outcomes</td>
<td>Appropriate person regularly overseas</td>
</tr>
<tr>
<td>Asylum Seekers Centre</td>
<td>Provision of legal aid and resources</td>
<td>Interviewed</td>
</tr>
<tr>
<td>Barnardos</td>
<td>Care of children at risk</td>
<td>Interviewed</td>
</tr>
<tr>
<td>Breast Cancer Network</td>
<td>Support for sufferers</td>
<td>Interviewed</td>
</tr>
</tbody>
</table>

Source: Developed for this research.
3.13.4 Potential Case-Study Population—Donors

The analysis of the data gathered from the interview process formed the basis of the case-study phase. (Eisenhardt, 1989) A potential pool of companies (shown in Table 3.7) from the ASX Top 200 was drawn up based on their known participation in corporate social investment, plus one non-listed company whose status is that of a partnership.

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Market (Capitalisation $A million)</th>
<th>Industry</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ Banking Corporation</td>
<td>49,823</td>
<td>Banking</td>
<td>Not selected</td>
</tr>
<tr>
<td>National Australia Bank</td>
<td>58,516</td>
<td>Banking</td>
<td>Not selected</td>
</tr>
<tr>
<td>Commonwealth Bank</td>
<td>59,173</td>
<td>Banking</td>
<td>Not selected</td>
</tr>
<tr>
<td>Westpac</td>
<td>42,209</td>
<td>Banking</td>
<td>selected</td>
</tr>
<tr>
<td>Bendigo Bank</td>
<td>1,954</td>
<td>Banking</td>
<td>selected</td>
</tr>
<tr>
<td>AMP</td>
<td>16,967</td>
<td>Insurance</td>
<td>Not selected</td>
</tr>
<tr>
<td>IAG</td>
<td>18,929</td>
<td>Insurance</td>
<td>Not selected</td>
</tr>
<tr>
<td>BHP Billiton</td>
<td>87,463</td>
<td>Mining</td>
<td>Selected</td>
</tr>
<tr>
<td>Rio Tinto</td>
<td>31,040</td>
<td>Mining</td>
<td>Not selected</td>
</tr>
<tr>
<td>Telstra</td>
<td>21,289</td>
<td>Telecommunications</td>
<td>Selected</td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>Not listed</td>
<td>Professional services</td>
<td>Selected</td>
</tr>
</tbody>
</table>


It was felt that to conduct interviews with managers from a range of industries would provide more diverse insights and greater generalisability. As the case-study phase involved exploring the motivation and potential benefits of corporate social investment it was naturally important that each company selected participated strongly and had mature corporate giving program in place. Accessibility to key personnel was also vital.

Final selection was influenced by the direction provided by those people interviewed in Phase One—the qualitative interview phase. Some strong recommendations were made as to the comprehensiveness of social investment program, the positive work of corporate foundations, the genuineness of CEO’s in wanting to contribute to society etc. The intention was to approach those that were recommended most strongly first until five case studies had been secured. The first five all agreed to participate albeit the response from the last company approached in late 2007, namely Telstra, was perhaps less enthusiastic than the others.

Interviews were undertaken with senior executives from these profit-making companies; ie with managers responsible for the corporate giving program and who had specific responsibility for the program that the company participated in.
3.14 Conclusion

This study was undertaken to better understand the interaction between the corporate and not-for-profit sectors. It is felt that the selection of the outlined qualitative research methodologies of in-depth interviews and case studies were the most appropriate to gain maximum insights into this particular field of investigation.

This research was designed to uncover the needs of both corporates and not-for-profits in relation to their interaction. Also to facilitate the productivity of their engagement. This has become particularly important today in view of the fact that the former has come to demand ever greater professionalism from the latter. (Zukowski, 1998) It is designed to move toward filling a current knowledge gap in Australia in the area of attitudes towards participation in corporate social investing as well as highlighting the approach taken by a number of active participants. It is also envisaged that this research can contribute toward the development of the skills required within the not-for-profit sector to enhance this relationship.

Do CEOs today agree with the view propagated by some that corporate philanthropy, in its various forms, is an irresponsible use of shareholder funds? (Bouma, 2000; Tracey, 2003) Why do some companies today participate in corporate philanthropy? Have they found it an effective way of building social capital, prestige and influence within their domain? How strategically is it viewed? How successful are they in achieving these aims today? Do they want a return on investment and do companies measure this? What advice do they have for the not-for-profit sector as regards improving the interaction between the two?

Through studying the interaction between the two sectors, and then analysing the findings that emanate from this study, it is hoped that the complex issues surrounding social investing will be made clearer and a contribution will have been made to the formation of viable long-term partnerships between the two sectors nominated as the parent disciplines for this study.

The lists in Sections 3.14.1 and 3.14.2 demonstrate the desired outcomes from the study and its potential benefits.
3.14.1 Contribution to Profit Makers—Potential Donors

1. Share collated information as to whether companies have experienced benefits, reported by corporations overseas such as enhanced reputation, brand differentiation, enhanced ability to attract and retain staff and whether this has led to enhanced domain management.

2. Share information regarding the multiple decisions that are being made by the corporate sector and the multiple options that exist around participation with the not-for-profit sector. These include the level of financial involvement, whether to support local or overseas organisations, and who makes these decisions.

3. Assist other corporations with the decision as to whether to participate in corporate social investment program or not.

4. Uncover any perceived negative consequences of supporting the not-for-profit sector.

3.14.2 Contribution to Not-for-Profit Organisations—Potential Recipients

1. Assist these organisations to understand better the decision-making processes within Australian companies and how better to engage with this sector in fulfilling their aims.

2. Potentially provide these organisations with research and data to enable them to inform potential donors clearly of the potential benefits for their companies and their shareholders, experienced by other corporations resulting from their participation in corporate social investment program.

3. Contextualise the discussion within an Australian context, thereby enhancing relevancy and minimising the likelihood of existing information being dismissed as applicable only to the USA or other regions.
Chapter 4: Research Findings

4.1 Introduction

This study concerns the engagement between companies primarily established with a profit motive and the not-for-profit sector. Specifically, what to many would appear to be counterintuitive behaviour; namely, the corporation giving its money away, in various forms, to the charitable sector, community projects, and alike.

It had been observed through Chapter Two, the Literature Review, that corporate social investment was playing an increasing role in the broader agenda of CSR within the Australian corporate landscape as evidenced by the findings of the Corporate Community Investment in Australia report (Centre for Corporate Public Affairs, 2007).

The community investment reports discussed in Chapter Two, published over the last seven years have given us insights into many of the issues concerning corporate social investment. However, these have largely focused on quantitative aspects. The interviews that form the initial phase of this research give a more qualitative perspective and indicate that there is a growing expectation that companies involve themselves more in the communities in which they operate, and, in times of crisis, even extend this to geographic areas of little direct commercial benefit.

As outlined in Chapter Three, Research Methodology, the researcher felt it prudent to commence the study by initially talking with individuals who were considerably more versed in these issues. This aspect of the research design was intended to equip the researcher with a diverse range of views on what were thought to be core issues and potentially to flush out other issues not yet considered. Also to assist the researcher with the selection process of companies for Phase Two of the study, namely the case-study phase.

4.2 Research Phase One—Qualitative Interviews

During a 7-month period between April 2007 and October 2007 qualitative interviews were undertaken with the following people. A profile for each individual can be found in Appendix 4. One-page summaries of key comments by each interviewee plus full transcripts of the recorded interviews can be found in Appendix 5. The individuals are listed below in the order in which the interviews were conducted.

1. Dick Smith  
   Philanthropist, CEO, Dick Smith Foods,

2. Geraldine Doogue  
   Broadcaster, Australian Broadcasting Commission

3. Tamara Domicelj  
   NSW Director, Asylum Seekers Centre.

4. Phillip Adams  
   Broadcaster, ABC; journalist, The Australian

5. Michael Traill  
   Founding CEO, Social Ventures Australia.

6. Stuart Wilson  
   CEO, Australian Shareholders Association.

7. Denis Tracey  
   Deputy Director, Asia Pacific Centre for Philanthropy and Social Investment.

8. Dr Simon Longstaff  
   Executive Director, St James Ethics Centre.

9. Lyn Swinburne  
   CEO and Founder, Breast Cancer Network of Australia.

10. Bill Petch  
    National Marketing Manager, Barnardos Australia.
4.2.1 Information Gained Through the Interview Process
Knowledge, insights, and opinions emerged during the various interviews. The following ten segments were then developed to categories these.

1. Government involvement;
2. Corporate governance;
3. Corporate responsibility;
4. Motivation for business’ participation;
5. Cause marketing;
6. Return on investment;
7. Benefits for business;
8. Challenges of engagement;
9. Advice for either sector;

In some cases an interview focused more on one or several of these and in other cases tended to roam across most of them. This was largely determined by the interviewee him or herself; influenced by the background and area that the interviewee felt most passionate about. As stated previously, one of the main purposes in conducting these interviews was to increase the researcher’s own knowledge of the field of inquiry.

It was felt appropriate to acknowledge the contribution of these interviewees in Section 4.2.2. Section 4.3 is a distillation of the thoughts of these interviewees.

4.2.2 In Appreciation of the Interviewees
For these extremely busy people to agree to participate in the study and openly share their thoughts was most gratifying. They all had their own story as to why they were involved in their particular field and why they held the views they do as regards corporate social investment. It was difficult not to be impressed by many of the interviewees and what drives them. In some cases these people had walked away from extremely high-paying corporate careers to devote their time to igniting interest within the commercial sector for support of the communities in which they operated and beyond. This was certainly the case with ex-Macquarie banker Michael Traill from Social Ventures Australia.

Others, such as Tamara Domicelj from the Asylum Seekers Centre and Bill Petch from Barnardos, had chosen to forgo the development of higher paid careers in favour of their work for those less privileged in society. Lyn Swinburne, from the Breast Cancer Network, having survived breast cancer herself, decided to set up a national charitable organisation to support others.

Some noted social commentators, broadcasters, and journalists such as Geraldine Doogue and Phillip Adams must be admired for their dogged determination to bring awareness of social issues to the people of Australia and to right the wrongs that they perceive within our society.

In some cases the conversation with the interviewee extended outside the boundaries of what was captured on the digital recorder, either due to capacity constraints with the recording device or as the conversation either commenced prior to the formal interview or extended afterwards, following the formal conclusion of the interview. The researcher ensured that each participant was happy for all comments to be used in the study and where certain comments were requested to be left out the researcher has complied totally with this request. Informed-consent forms were signed by all interviewees.
In Geraldine’s case she has made an outstanding contribution to greater religious
tolerance in this country. In Phillip’s case this stretches back many years to when he
brought Ralph Nader to Australia for the first time and seeded the consumer
movement in this country.

In regard to Dick Smith we have a classic self-made millionaire, a true entrepreneur,
adventurer, and philanthropist who, although not ranking up there with those whose
names are synonymous with the upper echelons of the wealthy elite of Australia,
nevertheless, along with his wife, manages to give away well in excess of $A1 million
to charity each year.

Stuart Wilson, the CEO of the Australian Shareholders’ Association, provided great
insight into the emerging policy of that body as concerns social investment and
corporate social investment in general. His openness and candour was much
appreciated.

Dr Simon Longstaff from the St James Ethics Centre and Denis Tracey the Director
of the Asia Pacific Centre for Philanthropy and Social Investment at Swinburne
University both brought academic and intellectual rigour to my information gathering.
Denis Tracey’s involvement was particularly pleasing for me as it was his book
Giving It Away: In Praise of Philanthropy (2003) that sparked my interest in this field
some years earlier.

4.3 Knowledge Gained

4.3.1 Government Responsibility
In any discussion about the needs of various sectors in society, and specifically those
of less privileged members of the community, the question of who has responsibility
for looking after them arises. One view is that it is the role of government to shoulder
this responsibility rather than relying on the corporate world that has already paid a
considerable percentage of its profits to the government in the form of taxation.
Perhaps the most forthright comment came from Stuart Wilson, from the Australian
Shareholders Association or ASA, when he expressed the view:

Well if the Government were capable of doing everything, why have
charities at all? The fact is that the government can’t look after
everyone, and charities can’t rely entirely on government (Wilson,
2007b, research interview).

There are also areas where government struggles to innovate…If
you’re the Federal Government … it's hard to disaggregate and
identify and cherry pick and support the little ideas and find those little
nuggets of social innovations that sprout and have a social impact. So
I always think there will be a place outside of government for
corporate involvement … you can’t reasonably expect a big behemoth
like government to do that (Traill, 2007, research interview).

The requirement for both government and corporate sectors to support the
community was universally expressed by interviewees within the study. Also raised
by a number were the limitations of the state and federal governments, ranging from
their financial capacity and lack of skill (Doogue, 2007, research interview; Petch
2007, research interview; Traill 2007, research interview) to a question over the
commitment of the then Liberal government to social welfare issues (Domicelj, 2007,
research interview; Petch, 2007, research interview).
One issue is that if the government is simply one of many supporters of the disadvantaged in society, or the organisations that seek to assist them, then how involved should government be in the regulatory aspects of the not-for-profit sector?

Geraldine Doogue addressed this issue:

I’m fundamentally a believer in … a light handed regulation with the government as a broker, not with the government as a major player, but I do believe that somebody has to be the organiser…just like knitting a garment, or running an orchestra. The metaphor I like a lot is to think of an orchestra. There are moments of anarchy in their efforts, but it’s well led by people who draw out the best in others (Doogue, 2007, research interview).

During the period in which these interviews were conducted Australia had a conservative government, the Liberal Party of Australia, and its coalition partner, the National Party. One area where this government had come in for regular criticism across the media concerns its social record around human rights, support for refugees, indigenous affairs, and provision of services for lower paid workers and their families (Marr, 2005; Domicelj, 2007, research interview; Stafford, 2007). Commenting on the issue of workers’ rights and a social safety net for the disadvantaged, Bill Petch had the following to say:

Where Australia is lagging behind at the moment is the government’s response to all these issues. Just as with the position the government has taken on workers’ rights. It shows very clearly what they think about responsibility. But if you look at the Senate report that came out on corporate responsibility there were a number of recommendations in that, and they didn’t implement anything (Petch, 2007, research interview).

Several people were also fairly dismissive of the Prime Minister’s Community Business Partnership Award as being a shallow attempt to be seen to be doing something yet with no real benefit for the recipient or the valuable work that they were carrying out (Petch, 2007; Swinburne, 2007; Tracey, 2007—research interviews).

Two initiatives introduced by various organisations to facilitate the funding of the work of not-for-profit organisations are workplace giving and matched giving. The former allows the donor to make his or her contribution from pre-taxed salary and is somewhat effortlessly donated at source by his or her employer, often on a regularly defined basis. The latter is where the same process takes place, yet the employer matches dollar for dollar the donation of its employee, thereby doubling the amount received by the charity.

The government’s lack of commitment to matched giving for its own employees drew some criticism from Bill Petch: ‘The Federal Government introduced workplace giving but not matched giving. There is an awful lot more that can be done’ (Petch, 2007, research interview). He was also critical of the government’s changes to taxation some years ago, whereby a whole raft of taxes were eliminated in favour of a broad-based goods and services tax on consumers. Previously the charities had been exempt from many of these taxes and no compensating provision was made to continue the distinction between profit makers and not-for-profits, once these taxes disappeared.
In some cases a charitable organisation may elect not to seek government funding for reasons such as those outlined by Tamara Domicelj, the Director of the Asylum Seekers Centre. This is an organisation struggling under an ever-increasing case load with negligible financial resources. ‘We are in a position where we desperately need funds’ (2007, research interview). Yet she expressed the view that they would not accept funding from a Federal Government department, such as the Department of Immigration, due to the restrictions that would be imposed. ‘We have taken a stand around our independence and not compromising that, which is what would be involved if we took this funding’ (Domicelj, 2007, research interview).

4.3.2 Corporate Governance

The term “corporate governance” encompasses many aspects and these can be deemed to have various degrees of importance depending on who one talks to. This is shown in the Pulse Report published by Crosby Textor (2004) shown in Appendix 1 The central question in connection with corporate social investment is whether it is wrong for a company, particularly a publicly listed one, to give its money away to not-for-profit organisations or directly to community projects or overseas aid, such as disaster relief.

One of the core initial directions of this study was to gauge support, or otherwise, for the long-held, and widely publicised position of the Australian Shareholders’ Association (ASA), as expressed by then Director, Stan Mather, in November of 2001.

The directors of companies are appointed by shareholders to make money for shareholders, not to donate it to other people. Companies should not be deciding what to do with shareholders’ money. They should return as much of it as possible to the shareholders and let them decide what to do with it (Tracey, 2003, p. 22).

All interviewees were aware of the quote as it had become somewhat of a cornerstone for those with an anti-corporate-giving position. However, none was familiar with the development of this policy that had taken place since November 2001, or its current status. Stuart Wilson the CEO of the ASA provided this update.12

Yes, well Stan has passed away now but some years ago he did come out and make a statement suggesting that it was irresponsible for a publicly listed company to give the shareholders’ money away. We’ve modified our position somewhat over the years on this. Our current Chairman stated our policy position as being a recommendation that companies should not be donating money to a region in which it had no commercial interests. Following the Tsunami we actually started receiving threats over the phone coming into our office here. Our view now, which perhaps is more reflective of public opinion, is that until individuals give more towards areas of need in society, then companies have to bridge that gap (Wilson, 2007b, research interview).

The researcher then asked ‘anywhere in the world?’ Stuart Wilson paused then replied ‘Yes, anywhere in the world’ (Wilson, 2007b, research interview).

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12 Denis Tracey was particularly interested, having quoted Stan Mather in his book In Praise of Philanthropy (Scribe, 2003) and generous with his encouragement of my work in seeking an updated position from the ASA.
As regards the debate whether it is fiscally responsible for a publicly listed company to support the not-for-profit sector, this simple exchange between researcher and interviewee can not be underestimated. Much of the argument by those against corporate giving revolved on the well-known position of the ASA. The significance of the additional clarifying question was to ensure that the researcher fully understood the current policy position. That is, that there no longer needed to be a commercial link between the giver, in this case an Australian corporation, and the recipient, to accord with the peak body for Australian shareholders.

This is in direct contrast to the internationally known view of noted economist, the late Milton Friedman, which is often quoted to strengthen the no-giving argument (Friedman, 1979). The view that shareholders’ rights may be violated is nevertheless still strongly held by many, although there appears to be a shift of opinion, as evidenced by the ASA feeling that their policy statement had lagged behind the current community view (Wilson, 2007b, research interview). Dick Smith was not so sure:

I think for a public company to start donating large amounts of money, I can understand the shareholders complaining, but maybe that's changing. You might find that people accept this. It would be wonderful if people accepted Woolworths giving away 2–3% of its net profits. Generally public companies don't and their rationalisation is that we are here to maximise profits ….(Smith, 2007, research interview).

Thought is still strongly divided on whether company funds do in fact belong to shareholders prior to the distribution of dividends. Dr Simon Longstaff from the St James Ethics Centre expressed very strong views on this situation, in particular taking exception to any notion that company funds belong to shareholders at all, and links this to the privileged structure of limited liability.

Firstly it's not clear to me that the money does in fact belong to the shareholders. A lot of this goes back to the origins of the limited liability company and the creation of the corporation as a separate legal person. Now limited liability and legal personhood of corporations both operate to provide to investors, to shareholders, an unnatural and extra-ordinary privilege. In that you can invest a dollar in a company and your upside is unlimited but it doesn't matter what goes wrong or what damage is done to the world at large, all you are liable for is the investment you made. Now the only way a democratic society could possibly infer such an extraordinary privilege is if in fact it believes that in doing so it will lead to an increase in the stock of common good….

That means that the money that a company has is its money, and it may be under an obligation to distribute it back in the form of dividends or in the event of winding up, following creditors being satisfied, to ensure there is a distribution to shareholders. So I think it is arguable that it is not the shareholders' money that is being spent in any case (Longstaff, 2007b, research interview).

An argument that could possibly be made is that prior to electing to buy shares an informed investor will already know that the company he or she is going to buy shares in may currently engage in non-profit-earning activities that support the community.
Although acknowledging that the decisions made by publicly listed companies and those made by private firms have different degrees of complexity attached to them, Lyn Swinburne put an interesting perspective on the issue of shareholder rights. This was in regard to the contributions made to their work by the major sponsor of the Breast Cancer Network of Australia, Bakers Delight, albeit a private company:

… this is now a core part of their business, part of their culture and values, and to sign on to buy shares would be to sign on to buy shares in our relationship (Swinburne, 2007, research interview).

One point to consider is the very notion whether the rights of shareholders can be violated at all by a board of directors or senior management making a decision to utilise company funds in a certain manner across a range of activities that the business may choose to engage in. Given that numerous decisions are made every day on which shareholders are not consulted, the decision to participate in social investment programs could be considered just one of these (Adams, 2007; Doogue, 2007; Traill, 2007—research interviews). Many would argue that this is why they were appointed in the first place, albeit it brings up an issue that has existed since company structures became more complex, namely that of agency problems, where the owners appoint agents to run their businesses and may not always agree with the decisions of these managers (Micklethwait and Wooldridge, 2003).

Although not always strictly obliged to act to maximise shareholder interests, because that is not an obligation that is even recognised in law, the obligation is to act in the interests of the company as a whole (Longstaff, 2007b, research interview).

In discussions of corporate governance any incongruence regarding the conduct of a company in its business practices versus the persona of being a good corporate citizen through its philanthropic and social investment work needs to be dealt with. This touches on the notion of incongruency between espoused values and actual behaviour (Perrow, 1961). Is it good corporate governance or simply a sham for a company to engage in practice which on the one hand damages society while at the same time supporting the community in other ways?

… whenever the corporation acts whether it be in respect of donations or investments or in any other way it should be informed by an explicit ethical framework which helps to frame all decisions whether you’re investing capital for productive activities or making a contribution of the kind you’ve anticipated, there should be a reasoned, ethical foundation for why you make the choices (Longstaff, 2007b, research interview).

Of course business has its passionate critics and many of these views were aired in the Literature Review. The following passage relates to Phillip Adams enunciating the views of Ralph Nader in connection with Coca-Cola following the interviewer raising the point with Adams that Coca-Cola Amatil had recently embarked on a fund-raising effort in support of breast cancer research in return for use of the pink ribbon motif.

He said that Coca-Cola had a funnel in the gullet of the world, including the Third World. He said he was appalled that Coca-Cola never put anything nutritious in their lolly water, never gave any real thought to the good that they may have potentially been able to do when selling the crap that they made, rather than causing people diabetes and rotting their teeth (Adams, 2007, research interview).
Clayton Utz law firm was used as another example of incongruency between espoused values and actual behaviour, this time by Denis Tracey:

One of the things that you might talk about to Clayton Utz is that CSR is not just about what you do with your money but also how you make your money, and how do your CSR program square with your actions in the Rolah McCabe case. That was the case where they acted for British Tobacco and Rolah McCabe was dying of cancer and she sued British Tobacco. The McCabe side had won the case and British American Tobacco’s case was struck out by the judge because Clayton Utz had destroyed a lot of documents and so the discovery process was damaged. Now the decision was overturned on appeal. Nevertheless there was a view around about that Clayton Utz were acting in a questionable manner. So one of the things a pitiless interviewer might ask is “you’re doing good works in society but acting for tobacco companies and playing fast and loose with legal ethics. How does that square?” (Tracey, 2007, research interview).

It would seem regrettable if the only, or primary, reason for wealthy companies supporting the disadvantaged in society was because of governance-based rules. This would suggest an intellectual decision with little involvement of the heart and deny the possibility of greatness for both. As Michael Traill has said it’s the ‘message of head and heart, passion and discipline that creates some pretty extraordinary partnerships’ (Traill, 2007, research interview).

4.3.3 Corporate Responsibility
Juxtaposed to any discussion of the legitimacy of corporate giving, within a framework of corporate governance, is the view that a corporation has a responsibility to do so, and to avoid this responsibility is to violate the principles of good corporate governance.

There appeared to be unanimous support amongst interviewees for the idea that support for the not-for-profit sector, or the community at large, even the global community, could no longer be seen as a fiduciary breach by the directors of a company or by its senior management, or as being fiscally irresponsible. Therefore, if it does not contravene the principles of good governance, and is therefore permissible and appropriate, could it be socially or morally or ethically irresponsible not to? Two somewhat differing views surfaced:

I can’t imagine that a big company will also have an obligation to donate to charity (Smith, 2007, research interview).

... the idea of a sharp separation between a primary responsibility to the shareholders, and the community, has never really made a lot of sense to me, certainly never made sense at a moral level (Traill, 2007, research interview).

The current view of the ASA, as regards whether corporations have an obligation to provide financial or other support for others in society, is that the ‘obligation kicks in, in times of extreme need, such as natural disasters’ (Wilson, 2007b, research interview). Outside of this criterion they would view it as a matter of choice for each individual company whether it participates in social investment program or not.
Various people have expressed the view that individuals should undertake a commitment to maintain a certain level of giving. This was raised again by noted Australian ethicist, Peter Singer, who Phillip Adams described to the researcher as ‘one of the greatest public intellectuals alive’ (Adams, 2007, research interview). Singer advocates regular donations amounting to 25% of pre-tax earnings by those in affluent situations (Singer, 2006). Phillip Adams’ response to this suggestion was:

… of course there should be money given to those in need, but that is Pollyanna stuff. Peter throws these hand grenades out, but it’s not going to happen (Adams, 2007, research interview).

No one has suggested that this be extended to the corporate sector and certainly not that it be mandated by government. In this case it would essentially amount to increased corporate taxation. However, there appears to be growing support for the idea that companies do have a responsibility beyond their obligations to the shareholders, in fact extending to multiple stakeholders including the societies in which they operate. Geraldine Doogue spoke of her respect for the ideas of Robert Reich, variously Secretary for Labour and Secretary of State in the Clinton Administration, and his view that:

… the corporation truly had to represent its capital, its shareholders, its community, its employees and it had to consciously think about balancing all of these (Doogue, 2007, research interview).

There are companies who willingly participate in social investment program, even to the point of this having become a core part of who they are and what they are known for. The case-study phase of the research is designed to highlight a number of these. However, there are those that clearly do not. If it is a responsibility of companies to contribute more than just paying wages and taxes then is it reasonable to put pressure on them to do so? Geraldine Doogue spoke of ‘being a great believer in shame’ (Doogue, 2007, research interview), whereas Phillip Adams spoke of the responsibility of companies and his view that they ‘should be involved in things like this even if they have to be bullied into doing it …’ (Adams, 2007, research interview).

Some see the responsibilities of the corporation deeply rooted in the earliest foundations of capitalism. Many would attribute these early foundations of our capitalist society to economist Adam Smith who lived between 1733 and 1790. One of his defining works (1759) in this field was *The Theory of Moral Sentiments* republished by Cambridge University Press in 2002. Included in this work is the concept of company profits having been made from the community in which the business operates still belonging to that community.

Michael Traill, well read on these matters, and a Harvard graduate, expressed this view of Smith’s position:

If you read a full body of Adam Smith’s stuff, including a book called *The Theory of Moral Sentiments*, there is a deep notion that pervades his writing of whatever is drawn, and in those days, and earlier in feudal times, drawing wealth from the community; is part of the community (Traill, 2007, research interview).

Smith wrote of his views on enlightened self-interest as applying to corporate behaviour, putting forward the idea that it is possible to act in an enlightened or positive way and reap benefits at the same time, albeit he suggested that the simple act of providing employment constituted a form of benevolence (Smith 1776).
The nature of an organisation is often attributed to who is at the top. Decisions to engage with the not-for-profit sector and support those in need within the community will often typically require approval at the most senior levels of an organisation and involve the CEO, if not the board (Garten, 2001). Simon Longstaff, from the St James Ethics Centre, sees a direct link between the behaviour of the company and its leaders. ‘The corporate responsibility practices of the company are a proxy for superior management of the company’ (Longstaff 2007b, research interview).

We still see companies behaving appallingly at times, such as James Hardies’ move of its registered offices to Holland allegedly to avoid forthcoming Australian law suits from former workers who were suffering from the effects of exposure to asbestos, incurred while they carried out their daily work for the company. Some struggle to discuss companies in particularly positive terms. ‘I’ve been involved with corporations long enough to realise that they were at best amoral, not immoral, enterprises’ (Adams, 2007, research interview). Adams sees the performance of business leaders in regard to corporate responsibility as being somewhat hit and miss.

There are odd business leaders who have odd moments of eccentric luminosity. It’s often like watching fireworks going off occasionally, but that’s about as good as it gets. (Adams, 2007, research interview).

Not all CEOs obviously subscribe to the view that corporate responsibility extends to participation in social investment program. ‘Look at most of the top 100 companies’ CEOs here in Australia and there is a significant gap between rhetoric and reality on this’ (Traill, 2007, research interview).

Phillip Adams was the former head of one of the most successful advertising agencies in Australia. He lamented that the focus of many companies was all too short-term:

I used to do work with Qantas and I thought in many ways it was the best company in Australia. It was not profit-driven it was safety-driven, was excellence-driven. This was evidenced by the rapid response to the Darwin cyclone. People were proud to work there. I wrote the words “Spirit of Australia”. I wrote it at the time when I thought it was true. I now feel like going around scraping those words off every aircraft. The morale at Qantas is shithouse. No one likes working there and the chief executive and the board tried to sell the bloody company. It has become a corporate pariah for what it does (Adams, 2007, research interview).

4.3.4 Corporate Motivation
It is generally accepted that Australia still lags a long way behind the United States as regards both individual and corporate philanthropy. Although we regard the Australian spirit as being one of generosity, typified by expressions such as “helping out a mate”, systematic giving is still not entrenched in our psyche and nor are public displays of generosity.

… it was quite interesting because my successful business friends who used to donate money did it secretly. If you became successful you bought a water-front mansion or a cruiser on Sydney Harbour to show how successful you had become, but when they donated to charity it was almost in secret (Smith, 2007, research interview).
It must be said, however, that the Tsunami on Boxing Day 2004 rewrote the rules (Petch, 2007; Tracey, 2007—research interviews). Both from an individual and corporate perspective donations flowed. Denis Tracey (2007, research interview) thinks the reason that this disaster grabbed the nations attention so much was due to a number of factors that can broadly be summarised as timing, proximity, and predisposition.

First, it happened on Boxing Day. Most individuals are more predisposed to their fellow man at Christmas time and the nation’s heart was open. It is also a quiet time for news and this disaster occupied the majority of media for a long time, including graphic images ensuring that it remained top of mind. Second, it occurred close to home. It was not a flood in China or a famine in Africa, it was on our doorstep.

Third, it happened to people we are well-disposed toward. We holiday in Bali, part of Indonesia, and in Thailand. We play cricket against the plucky Sri Lankans and another ex-British colony, namely India, who we enjoy seeing beat the English nearly as much as we enjoy beating them ourselves. ‘All those factors combined to make it an irresistible cause’ (Tracey, 2007, research interview).

It is now over three years on and whether the national heart remains open long-term is yet to be seen. It may be stretching credulity to suggest that this experience of giving is likely to translate into giving in equal measure outside the occurrence of huge natural disasters, and needless to say each individual and each company will have its own motives for giving. One of Australia’s best known philanthropists is high-profile businessman Dick Smith. He shared some of his personal thoughts on giving:

My decisions are basically non business in relation to charities. Particularly as I know the giving by large companies will probably require some justification for shareholders so I try and help the ones who won’t get their help, because I don’t have shareholders.

I still prefer to give without publicity because when you get publicity it does take some of the satisfaction away. There isn’t a Dick Smith Foundation or anything with Dick Smith on it, or a building or anything like that because it would take away from my satisfaction to have my name on it. So I prefer to give in this way because my motivation is totally selfish; it’s just to make me feel good (Smith, 2007, research interview).

There is certainly greater awareness of the opportunities that exist for businesses to get involved. Things like corporate fund-raising days and community projects, and the larger charities have become particularly skilled at marketing themselves to businesses and their staff (Petch, 2007, research interview).

Corporations each have their own motivations for their involvement in corporate social investment. However, broadly most of these fit under the banner of building social capital. Most people, certainly those interviewed for this research, accept that there is nothing wrong with a corporation to some degree benefiting from their generosity, although most will put certain caveats around this.

The benefits experienced by overseas companies were demonstrated in Chapter Two, the Literature Review, and examples from the Australian corporate landscape are likely to emerge in the case-study phase of this study. One thing for sure is that participation is on the increase (Doogue, 2007; Traill, 2007—research interviews).
Stuart Wilson indicated that social investment is clearly on the agenda of most large companies today, making the following comments:

It seems to be something of particular importance to companies with widespread community roots. It's deemed to be important to be seen as part of the community (Wilson 2007b, research interview).

Reputation building is one of the big ones. There are competitive pressures on all companies and they can't afford to be seen as being left behind (Wilson, 2007b, research interview).

Banks are seen by many as being faceless, cold-hearted, fee-generating machines. This reflects on their bottom line and one way of counteracting this is to communicate with the community around some of the good things they are doing (Wilson, 2007b, research interview).

To some extent these comments suggest that either big business sees an opportunity in engagement with the not-for-profit sector or sees a risk in non-engagement. Michael Traill further echoes these thoughts:

… I think many consumers are saying that “how we make purchasing decisions has deep regard as to whether we believe the organisations we are buying goods and services from are ethical and are contributing to the community”. I think this is now increasingly part of the consumer decision-making fabric. So there’s an economic imperative that is based in a place of morality (2007, research interview).

The appeasement of guilt or the preservation of reputation and social capital would appear to be at the basis of some corporate giving. When you have expressions circulating in common usage in Australia such as “all banks are bastards” you can understand a corporate risk manager seeking a strategy to mitigate this potential risk (Henning, 2007, p. 14).

… you’ve got these huge companies and they’re paying their executives huge amounts of money and they have to some how justify that they’re not that bad. It’s probably a good thing that the media put down the executives, of these global multi nationals, and so their reaction is to say “well we’d better put some money into charities” and that’s a great answer (Smith 2007, research interview).

… if you were writing your submission to the board of BHP or Westpac you would say that from time to time there are disasters and it’s probably inevitable that there will be disasters again and anything we can do to build up our corporate good reputation is a good idea. It might save us from being bashed up if we are caught polluting the river or evicting some farmers (Tracey, 2007, research interview).

The wooing of new external customers and clients is one obvious potential benefit of building up one’s social capital, and hence as this has become increasingly understood has become a primary motivator. However, the overseas literature also espouses the value for attracting new staff and retaining existing employees for longer. Australia has the lowest unemployment rate for decades and in some areas, notably those affected by the mining boom, staff are scarce. This makes for fierce competition for good people.
... those assets, those bright young things in their twenties and thirties, very, very many of them are saying they want a career in which they will earn decent money but right up there in the top two or three priorities is the opportunity to engage meaningfully with the community (Traill, 2007, research interview).

In relation to not engaging with the community via social investment program and any risks that this might entail:

... one risk is that you won't attract and retain the kind of people you want. One further risk is that your customer base may become more cynical about the way in which you operate...(Longstaff, 2007b, research interview).

Cynicism may not necessarily be solely directed at those who do not support the community in which they operate, but also the willingness of business to give freely. This criticism is made by Phillip Adams, who also sharply draws into question the level of giving by Australian businesses with the following comments:

None of them, none of them, would ever do anything without pressure on them (Adams, 2007, research interview).

It's a disgrace that outside of Jewish businessmen in Australia the others are so f***ing tight fisted and mean-spirited or haphazard in their giving (Adams, 2007, research interview).

Most of this is window dressing, and a pretty small window (Adams, 2007, research interview).

Another fascinating point that emerged in the interviews concerned a principle that seemed to suggest that the core motive of the giver has significant bearing on the outcome (Tracey 2007, research interview). That is to say, if you give to help the recipient you receive benefits also. If you give to help yourself you don’t. Simon Longstaff makes the following point:

... although there’s quite compelling evidence to show that you can generate a dividend if you do it well, the paradox is that if you do it for the dividend, you don’t get the dividend (2007b, research interview).

4.3.5 Cause Marketing
Some see an innate incompatibility between the commercial sectors and not-for-profit sectors working together. ‘It’s very hard to mix capitalism and charity together as capitalism is really built on greed and that’s why it’s so successful’ (Smith, 2007, research interview).

Nevertheless, cause marketing, or what is sometimes called corporate-cause partnerships, are on the increase (Cavill, 2007). This type of marketing was developed largely in the United States and centres on the joint promotion of corporate giver and not-for-profit recipient for mutual benefit. It can take the form of logo licensing, where the logo of the charitable organisation is used on products to identify the corporation as a supporter. It might take the form of sponsorship where funds are made available for a certain public event being held by the charitable partner, where the corporation’s logo is displayed. Also the corporate could simply provide a service in its own right, such as the Westpac Rescue Helicopter.
All are designed to enhance the reputation of the profit maker, contributing to its stock of social capital, through association with the not-for-profit organisation.

There is a continuum of ways which companies interact with society. At one level is charity and then you move along and you come to sponsorship. And then you move along and you come to cause-related marketing and then just ordinary marketing, and at this end it's just advertising. And I think it's interesting to ponder at what point on the continuum an activity fits. And sometimes it's quite hard to tell. I think quite often the company doesn't know either. An interesting case in point is the Westpac helicopter. Is that philanthropy or advertising? And the answer is probably that it's both. But they don't maximise the advertising. So what's going on there? (Tracey, 2007, research interview).

One debate around the area of engagement with a not-for-profit organisation is whether it's OK to let anyone know. This may sound counterintuitive and two immediate questions spring to mind. What is wrong with letting people know you are acting responsibly? And, second, isn't business all about self-promotion to gain an advantage over competitors, leading to enhanced financial performance?

The following quotation may cause us to think again. 'Corporate giving has long had the reputation as the sleaziest corner of philanthropy' (www.economist.com 2006b—accessed 23 February 2006).

This issue is that for many people if a company overtly “blows its own trumpet” around its involvement with a good cause, or a charitable organisation, then public cynicism around why they have chosen to do this may negate the potential benefits, even leading to diminished reputation and reduced social capital.

In 2007 Coca-Cola Amatil commenced a campaign in which it put pink caps on its Mount Franklin Mineral Water bottles, the pink ribbon motif of the National Breast Cancer Foundation on its labels, and pledged $A100,000 each year for 3 years, to breast cancer research. In many people’s minds this was a noble gesture; in many others it was a cynical act of leveraging off the suffering of others for commercial gain. As Dennis Tracey says ‘you can always do the right thing for the wrong reason’ (2007, research interview).

So I think that what Coca-Cola Amatil has done is bullshit. It is just a distraction, like a conjurer distracting us while doing his tricks. For God's sake Amatil are one of the greatest tobacco giants in the world. So it's really just a stunt (Adams, 2007, research interview).

No one will trust you. Your commitment will be so shallow to whatever it is you do, that you have no commitment in fact for doing anything for its own sake, only if it is a means to improve your bottom line (Longstaff, 2007b, research interview).

Well you see that’s not corporate responsibility. It’s just a sales promotion. It’s great for whoever gets the money but it’s not necessarily going to change people’s perceptions and in fact I think ultimately it’s going to be harmful (Petch, 2007, research interview).

Perhaps due to his views having been forged from the cold hard commercial realities of Macquarie Bank, Michael Traill takes a more pragmatic view:
...there is no point in not letting the world know what you're doing. Otherwise nothing is going to change much (Traill, 2007, research interview).  

There is also the issue of “where did the money come from”. That is, potential concern over how the donor organisation made the money in the first place. This concern seems to be two-fold. One is that the money may somehow be tainted due to the activities of the donor company perhaps being harmful to society in some way. Gifting and sponsorship from tobacco companies generally comes up in discussion when this area is enquired into. Second, could the reputation of the recipient charity be damaged by association? These are complex issues whose scope could well span the breadths of another dissertation on their own.

Few would argue that the long-term partnership between the Salvation Army and Westpac, for example, has probably helped them both build social capital. Could the same be said of a partnership between any of the charities seeking a cure to the various forms of cancer, or perhaps providing support for cancer survivors, and say British American Tobacco?

The world appears divided on the issue of taking money from certain organisations. Dennis Tracey (2007, research interview) made the following points:

… it may offend you dreadfully to accept money from tobacco companies but if you will do good for your clients that enables you to buy a bus that you didn’t have before; then?

My partner is a fund raiser for an intellectual disability organisation and she quite often talks about the notion of accepting money from a tobacco company. Would you accept money from a liquor company? Would you accept money from a landmine manufacturing company? Would you accept money from the Mafia? And her attitude is “absolutely”. Just give me the money and I will do good with it. I’ll cleanse it.

When presented with Dennis Tracey’s comments shown above, Simon Longstaff proffered a view which differed somewhat, in that he was concerned at how far people may take this, and whether they would be prepared to accept funding or support from someone or some entity that had committed horrendous acts of one kind or another and sought to use the charitable organisation as a cleansing mechanism.

So I’m a bit sceptical of the view which you quoted which is that once the money crosses the church door, or its equivalent, that it doesn’t matter whether it came from the Mafia or not, that you can do good with it. … I find that a bit troubling (Longstaff, 2007b, research interview).

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13 The researcher had the opportunity to ask a question at a CSR conference that was held at Clayton Utz law firm on 19 July 2005. The Senior Partner convening the meeting said that “we do lots of great things but we don’t tell anybody as we don’t think its right to blow our own trumpet”. Michael Hawker, the then CEO of Insurance Australia Group, IAG, got up and said “we do lots of good things also and we tell everybody”. So here you have the two polarized views.
It would appear that there is no clear-cut answer to whether it’s OK to let people know. It is a subtle mix because many people are suspicious of corporations (Doogue, 2007, research interview). The answer would appear to be defined by the words “balance” and “transparency”.

4.3.6 Return on Investment
Although current thinking appears to have moved beyond the notion that it is improper for corporations to engage in social investment, few would argue that a profit-making company, particularly a publicly listed one, still needs to act in a fiscally responsible way, and indeed the directors are charged by law to do so (Baxt, 2002).

Therefore the degree of funding provided to, or costs associated with, supporting the not-for-profit sector will still come under scrutiny. In the case of matched-workplace giving, where the company matches the donations of staff yet generally provides a degree of freedom as to where donations can be directed, there may be little scrutiny as to the effectiveness of donations. This is really charitable giving. However, in regard to social investment program one of the key differences is the strategic intent and the desire to build capacity in the recipient. Hence, by definition, greater scrutiny will occur. Scrutiny may also occur around the benefits that can be expected to accrue for the corporation and whether these are realised.

The other key difference is a deeper involvement by the company, at a cultural level often involving a shift in focus that marks the organisation as making a genuine commitment to being a good corporate citizen (Tracey, 2003). Again, this would suggest that closer ties would be required with the companies not-for-profit partners, and the sector in general, perhaps even extending to the constituency of the partner, namely those they are seeking to help. Greater financial involvement generally involves greater scrutiny and therefore greater accountability:

… sooner or later the accountants will have a crack at it and ask “so what's in it for us” and are not too interested if you say “it’s good for our soul”. They’ll say “show us the money. How do we make more money out of this?” (Tracey, 2007, research interview).

Geraldine Doogue recounted an amusing saying attributed to former Australian Prime Minister Paul Keating in regard to a discussion around whether it was reasonable for a company to benefit from its support of the disadvantaged. ‘In any two horse race always back self interest, because at least you know they’re trying’ (2007, research interview). Michael Traill (2007, research interview) speaks passionately about the moral and economic compatibility of social investment for a profit-making company:

… if you line up the moral and economic reasons for those who kind of neatly separate the primacy of shareholder returns, I think you are missing something substantial.

If you connect the dots, the concept of a moral corporation with a long-term view of the world and its place in the community, I think over time will out perform some of its economic objectives.

… at a practical level if you look at the contemporary corporate world I think for those corporations that do engage in the community it is not only morally right but I think there is a significant and growing argument that it is actually in their economic self-interest.
Fundamentally also I think many consumers are saying that “how we make purchasing decisions has deep regard as to whether we believe the organisations we are buying goods and services from are ethical and are contributing to the community”. I think this is now increasingly part of the consumer decision-making fabric. So there’s an economic imperative that is based in a place of morality.

Dennis Tracey asks and answers the following questions on a company’s motivation and in support of earning a return on investment:

**Look, is there such a thing as altruism? Does a company have any business in being altruistic? I think probably not (Tracey, 2007, research interview).**

One issue that arises in discussion around the motivation of corporates to involve themselves with charitable organisations and worthy causes is that it’s fine to do it; it’s fine to get a return on the investment, but just be upfront about it. Others have a far more pragmatic view that is often expressed in similar terms to Denis Tracey’s view:

‘Who cares?’ What they claim is their problem, is a problem between them and their shareholders and their souls and their clients (Tracey 2007, research interview).

The most recent report commission by the government into social investment showed that 93% of businesses required a business case before investing in the community, with only 7% not holding this as a requirement. Of those requiring a business case, 24% required this to be focused with some specific return-on-investment justification (Centre for Corporate Public Affairs, 2007). It would seem that most not-for-profits now understand that there has to be a degree of commercial reality attached to seeking corporate funding (Traill, 2007, research interview). A pragmatic point about the sustainability of giving being linked to sensible business decisions is made by Bill Petch:

Again, you can give money away, and that’s a nice thing to do, but if you don’t operate properly as a business then you won’t end up doing that in perpetuity (Petch 2007, research interview).

### 4.3.7 Business Benefits

In the Literature Review a number of references were made to studies or writings stating considerable benefits for an organisation that engages in social investment. Closer to home one of the studies commissioned by the government spoke of benefits accruing around corporate reputation, staff, culture and improved community relations (Centre for Corporate Public Affairs, 2000). Most of those interviewed endorse these findings:

I had David Morgan on my show. Two of his executive directors were up in the Gulf of Carpentaria at the time setting up low-interest corporate loan programs, teaching governance etc …You could see that David was very proud of his executives who had had their skills lifted and that he also felt there was a quantifiable good for the community. It is an interesting mix (Doogue, 2007, research interview).
With practical opportunity for community engagement you can hang on to your better quality people for longer (Traill, 2007, research interview).

... a source of competitive advantage' (Traill, 2007 research interview)

...they know they have to do more to keep them by doing things like pro bono work being offered by the organisation that they can get involved in. The organisation is almost like a broker for the employee to give meaning to their work life. It is a lot more prominent than I thought it would be (Doogue, 2007, research interview).

... people are consciously looking to something more, almost to break that routine of just giving the usual service back to the corporation or the legal firm or whatever so I see this as the perfect storm gathering in a way that I haven't in all my years of doing not-for-profit work, of sitting on boards, of corporate social responsibility...I promise you I have not seen the conditions in corporations that I'm seeing now (Doogue, 2007, research interview).

Absolutely. They talk about the reduced costs, about reduced turnover of staff, about investors who take an interest in these things. They talk about lower costs they speak about all these things as being consequences of management practices around this area (Longstaff, 2007b, research interview).

... the one thing that gets everybody going are the stories about what they have done for the Breast Cancer Network. And the answer to the question 'What is Baker's Delight getting out of it?' Is that it gets its soul! It's hard to measure. But you know when it's there. And when Roger is talking about this, and he describes how his people at this conference had tears in their eyes when they talked about what they'd done. Roger has tears in his eyes when he talks about what the company has done. It is very moving stuff (Tracey, 2007, research interview).

4.3.8 Challenges of Engagement
Still the desire by charitable organisations to develop corporate partnerships is not without its challenges. Ironically the rise of one part of the not-for-profit sector, namely the environmental movement, may actually result in the fall of another, that is, those with a social focus. There is a fear in some circles that a focus on global warming and portraying one’s company as “green” is now occupying greater focus than other aspects of corporate social responsibility.

One of the weakest areas measured in the Corporate Responsibility Index of 2007 (www.corporate-responsibility.com.au—accessed 1 June 2008), was in environmental performance. As corporations seek to invest more heavily in this area it is possible that some focus will be moved away from social programs thereby negatively impacting areas of the not-for-profit sector. Australia often follows US trends and, as mentioned in the Literature Review, Giving USA estimates that donations in the United States grew by 16.4% in 2005 to $A8.86 billion (Giller 2007). In some cases giving to this area is seen as producing more tangible benefits, is more easily sold to the board and produces greater PR benefit given the high profile of global warming (www.philanthropy.com—accessed 16 March 2008).
There is no question about the power of “An Inconvenient Truth” and in the work that Al Gore's been doing as being a tipping point in placing it in the mainstream agenda and corporate agenda. And the emphasis on the environment at the moment in the minds of most people … due to Gore and other initiatives it has become a front and centre issue (Traill, 2007, research interview).

Not everyone in the Australian not-for-profit sector is happy about this however, and there is a feeling in a number of quarters that the growing prominence of the environmental movement is taking the focus off social issues. As the sector gains momentum in its engagement with corporations, in an attempt to secure funding for their vital work, the potential exists for corporations to say yes to the environmental organisations and ignore those looking after the homeless, abused, and neglected. Two views expressed during the interviews are as follows:

… I think the environmental agenda is having a detrimental effect on social issues full stop (Petch, 2007, research interview).

… we do work in the area of deep social need in indigenous communities, mental disabilities, unemployment. We find a reasonably strong level of interest in that. So I don’t feel that it has been pushed aside. Due to Gore and other initiatives the environment has become a front and centre issue (Traill, 2007, research interview).

Yet environmental issues aside the not-for-profit sector needs continually to improve its ability to engage with corporations, in fact even to learn how to act more like them (www.economist.com 2006a—accessed 23 February 2006). The corporate sector demands ever increasing professionalism in order for it to be willing to partner in any long-term arrangements. (Zukowski, 1998) Some old attitudes and practices need to give way to new approaches; a view voiced by Dennis Tracey when he spoke of the frustrations that a colleague had experienced:

… he said that he is sick of trying to form partnerships between corporations and not-for-profits because the not-for-profit sector just doesn't get it. Their view is ‘We're doing God's work. You're bastards. So give us the money and go away and let us do God's work’. Well that's the old-fashioned philanthropy; just get the money, give the receipt and move on. (2007, research interview)

Some do it well already and these tend to be the larger and better resourced charities—organisations such as Mission Australia and The Smith Family (Petch, 2007, research interview). Some organisations represent causes that tend to have greater appeal by their very nature. Organisations such as those looking after the welfare of children, ie the Westmead Children’s Hospital and Barnardos, perhaps fit into this category, although they are still financially stretched in their endeavours.

Smaller charities that do not have a high profile such as The Hunger Project, dedicated to increasing the capacity of people in Third World countries to develop their own sustainable future, find it difficult to seek corporate funding (Burke, 2004). In the case of this particular charity there is a secondary issue which is that the people they assist are not either in Australia or our close neighbours. They tend to be people in African and South American nations and in Bangladesh. However, ANZ Bank has just committed to send 25 executives to Bangladesh to experience the work of this charity first hand (Halbert, 2007).
Other small organisations such as The Asylum Seekers’ Centre battle different problems. In this case there appears to be a stigma around the section of Australian society that are their constituency, namely legal residents who are seeking asylum to avoid persecution overseas. In the minds of some, these often desperate people appear to be “queue jumpers” and have been grouped with nonlegal asylum seekers, sometimes called “boat people”—a problem exacerbated by a very successful scare campaign by the Federal Government preceding the 2004 federal election (Tenenbaum, 2002; Domicelj, 2007, research interview).

In this case it has led to difficulty in attracting donations at all, and especially from the corporate sector. There has been limited success with large Australian construction company Bovis Lend Lease allowing some staff to carry out pro bono work on the building that houses The Asylum Seekers Centre. However, the charity is still seen as a somewhat contentious partner for most corporates and less desirable than many others to support compared with many other larger mainstream charities: ‘We’re not kids with cancer’ (Domicelj, 2007, research interview).

It is not only the not-for-profit sector that needs to learn how to engage with the corporate sector but the other way around as well (Traill, 2007, research interview).

Not unlike the larger charities, the big companies seem to do it well when it comes to engaging with the opposite sector. Gina Anderson, from Philanthropy Australia, bracketed companies of a certain size that she felt were particularly proficient when it comes to this interaction; ‘Any of the top thirty’ (Anderson, 2007, research interview).

Banks, others in the financial services sector, and mining companies are often raised as having a particularly strong social investment focus (Doogue, 2007; Petch, 2007; Tracey, 2007; Traill, 2007—research interviews). When enquiring into why this might be, the well-resourced nature of their businesses appears the most often explanation given, along with the need to appease society for possible concerns around environmental damage or insensitivity to indigenous populations where mining leases are concerned (Tracey, 2007). As with any relationship compatibility is vital for long-term sustainability. This applies to both sectors. The choice of who to support or, conversely, who to accept funding from, is core to the advice, that most people experienced with corporate charitable partnerships offer up.

… we’re very fussy about our partnerships and we knock back a lot of people who come to us who want to do stuff with us (Swinburne, 2007, research interview).

Lyn Swinburne told of one company who offered them $A100,000 in the early days of their establishment. During discussions they happened to mention that they had a further $A1.1 million set aside to promote the fact, over the next 3 years, that they had given away the $A100,000 to help breast cancer survivors.

… the idea was that this company would give $A100,000 but that would then spend $A1.1 million on a campaign to market this association … we knew at the end of the three years they would say it’s been nice knowing you, see you later (Swinburne, 2007, research interview).

These discussions helped direct the researcher to those companies who seemed best suited to approach for the case-study phase.
Lyn consulted her chief supporters, Roger and Lesley Gillespie, the owners of Bakers Delight. Their advice was to test how sincerely the company making the offer really wanted to support the work of her organisation. Roger suggested she ask them to reverse the amounts: $A1.1 million for breast cancer and $A100,000 for marketing. The partnership did not go ahead.

4.3.9 Advice for Either Sector

Clearly there is a big world out there consisting of multiple corporations, most being potential donors or partners and multiple potential not-for-profit partners. It is important for any not-for-profit organisation to understand that for any significant level of donation or support to take place a corporation is likely to involve considerable thought on the part of the potential donor or partner. It is important for both parties to be able to assess any involvement with each other in a professional manner; not unlike any business decision to seek involvement with another party.

Professionalism is vitally important for a not-for-profit organisation when approaching a corporation (Petch, 2007, research interview). However, Melinda Buckland from BHP Billiton also emphasised that there needed to be greater professionalism, specialised focus and training to equip corporate representatives to make decisions around engaging with not-for-profits. As she put it: 'you wouldn’t send an untrained person to build a dam' (Buckland, 2007, research interview).

One issue that any corporation needs to consider is who to partner with. Support could be provided for a small number of partners or for many smaller ones. Other decisions revolve around making local versus national and even overseas commitments and on what area of need the company wishes to direct its support toward. When asked for her advice for a corporation contemplating engagement with a not-for-profit partner Lyn Swinburne said: 'It would be that you need to determine what the thing is that is going to get your juices flowing’ (2007, research interview).

On the thorny question of accepting donations or sponsorship from a company that has questionable business practices or a questionable reputation or is simply involved in a legal yet scorned industry Dennis Tracey has this advice:

Peter Singer, you know the ethicist, says that you should look at the net effect in ethically tricky situations and if the net effect is going to be damaging to your organisation, then don't do it, as best as you can predict. If the net effect is positive for your organisation then do it (2007, research interview).

On long-term, mutually beneficial partnerships:

The more modern, and, in my opinion thoughtful and preferable model, is one where a partnership exists such that both sides get stuff and both sides give stuff and it goes on for a long time; at least as long as it can usefully do so (Tracey, 2007, research interview).

Michael Traill made the following observation on the role of the leader of the company in ensuring the success of any social investment program. The main quality called for in his opinion being commitment:

If you have a leader in an organisation who is an exemplary leader in society ... then the culture of that place will reflect that. If you don't have that you're probably stuffed (2007, research interview).
On integrating social responsibility and social investment into the fabric of the organisation:

There has been a progressive growth in understanding that if you are to be successful in achieving your objectives within business and bring about real benefits to the community in which you operate, then the only way to do this is to integrate and make it part of your business and not just part of your business as a tool for improving financial performance but actually a part of the way you go about doing your business across the whole spectrum of relationships (Longstaff, 2007b, research interview).

Reinforcing the term “investor” as opposed to “donor”, Michael Traill says ‘… we don’t want your donation, we don’t want you to give us money, we want you as a social investor’ (2007, research interview). On the pragmatic mindset of a potential investor:

Social investment is sometimes referred to as the venture capital of philanthropy, and the term implies a process of rather than finishing when the cheque is written, it begins when the cheque is written. Successful and thoughtful social investors tend to behave a lot like financial investors. That is, they have a specific outcome in mind. They have measures to see whether things are progressing as they should. They have an exit plan if it doesn't work. They often give a lot more than money, of their time (Tracey, 2007, research interview).

It really has to come from a genuine place and that doesn’t mean that that can’t be a commercial place as well ….It is about a genuine commitment. It never works if there isn’t a genuine commitment to the cause. It doesn’t work for either party (Swinburne, 2007, research interview).

4.3.10 The Future
Three opponents of corporate social investment that were mentioned in the Literature Review were Milton Friedman, ‘Chainsaw’ Al Dunlap, and closer to home Stan Mather, whose statements were mentioned earlier. All three of these business commentators have now either passed away or significantly fallen from grace, as in the case of Dunlap.

This opposing view may be more closely aligned with the business of past decades than today and the issue is now whether we have entered a new, possibly more enlightened, era of business practice?

Some companies seem to have a genuine desire to operate in a different way and are keen to learn from their not-for-profit partners who have valuable skills to impart. Organisations within the not-for-profit sector can also learn a great deal from their corporate partners and sometimes an organisation such as Michael Traill and Chris Cuff’s Social Ventures Australia can be valuable intermediaries.

… we are interested to get them to connect head and heart, to find ways to use their business and left brain skills in organisations with passion and vision, the kind of structure and discipline that we see in the business world to help them achieve the social footprint they are capable of (Traill, 2007, research interview).
To help outstanding organisations to grow and achieve scale is our social investment message. It is profoundly about partnership across the two worlds (Traill, 2007, research interview).

On the observed trend of integration into the fabric of the business:

Probably the major trend has been a growing awareness by business of the importance of the integration of its corporate responsibility agenda including its social responsibility into and across the business. (Longstaff, 2007b, research interview).

On the requirement for greater professionalism and commercial acumen at the top of not-for-profit organisations, and greater compassion and social vision within corporates:

I think there is much more cross fertilisation across the sectors at a management and leadership level. There needs to be a lot more of it but I think that’s happening, that’s evolving (Traill, 2007, research interview).

On being aware of the changing criteria of potential employees:

At the St James Ethics Centre we can now offer leadership packages and workshops in this because the CBD people and firms pay for them and because they have to culpably offer something more than just a routine, so this is a very new developing trend (Doogue, 2007, research interview).

There is increasing evidence that younger people, and in fact not just younger people, looking for a potential employer, will not only assess the employment opportunity in terms of the terms and conditions they might receive as an employee, by way of remuneration and other things, but they will also have, as an integrated part of their engagement with a prospective employer, concern to know what are the corporation's policies and practices in terms of engaging with the community in which it is located or where it operates (Longstaff, 2007b, research interview).

And finally these statements on what we can expect in the future:

I think this whole area is just exploding and I am absolutely confident that there will be exponential growth and change that reflects that and we’ve seen that ourselves. In terms of quantifiable measure, the level of funding for Social Ventures Australia has grown from $A8 million at the start of the year to 18½ million. There are great opportunities not just for us but anybody that wants to get off their backside and engage (Traill, 2007, research interview).

… I see this as the perfect storm gathering in a way that I haven't in all my years of doing not-for-profit work, of sitting on boards, I promise you I have not seen the conditions in corporations that I'm seeing now (Doogue, 2007, research interview).
4.3.11 Conclusion

We can see that, although each interviewee brought his or her own particular viewpoint to the discussions, certain common themes emerged. Firstly, the universal viewpoint that if a company makes a decision to participate in social investment program it is not in violation of its fiduciary responsibilities. Secondly, although not everyone felt that corporations have a responsibility to support others in the community, there was wide acceptance that society as a whole has a growing expectation of some level of community engagement outside of core commercial motivations.

Some interviewees were able to clearly enunciate benefits such as increased ability to attract staff, improved staff motivation, and greater retention leading to lower recruitment costs, improved corporate culture, enhancement of corporate reputation, and increased competitive advantage. A number of useful suggestions were also made as regards the enhancement of the engagement process between both sectors. These included the critical role of the leader, the importance of choosing partners wisely, and the importance of the partnership being one with a genuine basis of giving and a commitment to working together.

One of the major new insights to emerge was the shifting position of the Australian Shareholders Association from condemnation of corporate social investment to endorsement, in keeping with the changes in societal expectations of today’s corporations.

These insights provided a platform for the researcher to then embark on the case-study phase of research with five companies, representing four industries. These were Westpac, BHP Billiton, Telstra, Bendigo Bank and PricewaterhouseCoopers (PwC). These companies were chosen as examples of large businesses operating within Australia who participate actively in corporate social investment program.

The case studies were undertaken in order to gain a better understanding of their motivations, whether they in fact also gain benefits and whether they could provide any insights into how the relationship between the two could be enhanced.

The principal interviewees at each of these companies were:

Westpac    Samantha Brown, Head of Community Involvement.
BHP Billiton  Melinda Buckland, Head of Corporate Social Responsibility Group.
Telstra    Maria Simpson, National Manager, Community Investment.
Bendigo Bank  Chris De Araugo, National Community Enterprise Manager.
PricewaterhouseCoopers  Sarah Moors, PwC Foundation National Manager.
4.4 Research Phase Two—Case Studies

4.4.1 Case Study 1—Westpac Banking Corporation

We must judge ourselves by how others see us, rather than how we see ourselves. The legitimate expectations of the communities from which we profit must set our social, economic and environmental agenda. Leon Davis, Former Chairman of Westpac (Davis, 2002, p. 2).

As a bank, Westpac’s long term future is fundamentally linked to the health of the society in which we operate. Our future prosperity can’t be divorced from that of the community and the environment in which we operate (Davis, 2006, p. 9).

I can look any shareholder in the eye at any annual general meeting and tell them that I am investing the bank’s money wisely when we invest in the community. David Morgan, CEO of Westpac (Morgan, 2007a).

Westpac is Australia’s oldest bank and Australia’s oldest company in continuous operation. Westpac sees itself as ‘going way back to grass-roots engagement with local communities’ (S. Brown, 2007, research interview) and as being ‘an integral part of the Australian social fabric’. (Westpac, 2002, p. 26) Established in 1817 in Sydney it was initially known as the Bank of New South Wales. It changed its name to Westpac in October 1982. The name change was undertaken to more appropriately reflect the bank’s broader sphere of operation, the West Pacific region. Westpac has a very active Foundation that began its life as the Buckland Fund in 1879.

The last 190 years have not been without there problems however. The 1980s were turbulent years for Westpac and it was possible that the bank could even have become insolvent and ceased to exist (S. Brown 2007, research interview). Many of these challenges extended through much of the 1990s. Issues included a failed implementation of a major new computing system, and the closure of regional branches resulting in loss of reputation and poor financial performance.

In the 1990s “bank bashing” was rife in Australia and Westpac entered this decade still facing major challenges. One example being indicative of just how low Westpac’s reputation had sunk, concerns staff morale and lack of pride in their employer. It had become well known within the bank that many uniformed staff refused to wear their uniforms to work, preferring to change upon arrival and before leaving, not wishing to be associated with the bank (S. Brown, 2007, research interview). This remained the case up until 1996/97, with even senior executives feeling embarrassed to talk about where they worked (Anderson, 2007, research interview).

It was in 1999 that David Morgan took over as CEO after serving for several years on the board. He came from a public service background having served in Treasury in the Labor Government during the exciting reforms of the Hawke/Keating years. He played a key role in producing the Campbell Report, which was the basis of deregulation of the Australian banking industry. He refers to the last 25 years in the Australian financial sector as ‘Australia’s historic and golden age of economic reform’ (Morgan, 2007b).
David Morgan’s years in Treasury may well have defined him as a corporate leader and defined his strong position on social responsibility while in corporate life.\(^{15}\)

The problems that beset Westpac were seen as communication issues and that the bank was simply not doing a good job of communicating what it was about (S. Brown 2007, research interview). The bank believed it was ‘deeply committed to the people of Australia’ (S. Brown, 2007, research interview), however, nobody else did. A senior executive, Dr Noel Purcell, now General Manager of Stakeholder Relations, was appointed to look into this and determined that it was not about communication, it was about substance (S. Brown, 2007, research interview). ‘At that very time it was our moment of truth … it was a turning point for the bank when we recognized that we needed to change’ (S. Brown, 2007, research interview).

Despite achieving record profits, public opinion of the bank was poor and this extended to criticism from its own staff. ‘Our staff were leaving us in droves’ (S. Brown, 2007, research interview). Given the issues it faced, Westpac decided to develop actions that genuinely assisted a range of stakeholders, at the same time communicating to the broader community of potential job seekers, shareholders, analysts, and other stakeholders that they were becoming a fundamentally different organisation.

We were not listening to our stakeholders, we were perhaps only focusing on the shareholder to the detriment of other stakeholders … so that was really when we made very firm decisions to really engage, with genuine consultation, with the community (S. Brown, 2007, research interview).

Some of the actions the bank took were to put a moratorium on further branch closures. Additionally they introduced fee-free banking for not-for-profit organisations and members of the community that were on welfare. ‘Corporate social responsibility started to become more formally embedded in the organisation’ (S. Brown, 2007, research interview).

From a community perspective we felt we needed to give our people something that they felt proud about, and could talk to their customers about. They were on the coalface of this criticism from people such as customers so that just before 1998 we introduced some programs that we still have running today (S. Brown 2007, research interview).

Westpac was the first bank, and possibly the first public company, to give its staff time off to volunteer, a policy which has become commonplace in large corporations these days. In the mid 1990s they also developed a year-long mentoring program, initially enlisting the support of a teacher at Cleveland Street High School (Anderson 2007, research interview).

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\(^{15}\) One background discussion that the researcher engaged in for this study was with the CEO of a non-profit organisation well known for strongly advocating CSR. The suggestion was made that David Morgan’s motivation in terms of community engagement program came from the unintended consequences of the recommendations in the Campbell Report. When the banking sector was deregulated allowing foreign banks to enter the Australian market, hundreds of regional bank branches were closed as Australian banks scrambled to become more cost competitive. This brought hardship to many rural communities; in some cases the very communities in which Westpac now undertakes some of its community engagement program. Anonymity was requested on this point. The researcher raised this as a possible motivation during one of the interviews at Westpac, however, the interviewee, Samantha Brown declined to comment.
Westpac also introduced a matched-giving program whereby the bank would match employee donations to the charity of their choice. Today this program has grown substantially, with over $A12 million having been donated so far and $A1.92 million in the 06/07 financial year. The process is very democratic, with the employee choosing the charity, and 1,000 charities having benefited so far. These have ranged from the Hare Krishna Food for Life program and Hillsong Church through to school building funds, surf life-saving clubs, numerous medical foundations, and overseas aid organisations and advocacy groups. The only restriction is that Westpac will match the employees’ generosity up to $A5,000 per person per year (Westpac, 2007b).  

There are currently 372 different charities registered as beneficiaries of the matched-giving program and this, in itself, makes interesting data as to the giving intentions of this sample group of people, ie drawn from Westpac employees, as to the areas that benefit most. A breakdown of the types of charities that have benefited from the generosity of Westpac employees and the matched-giving program is provided in Table 4.1.

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Category</th>
<th>No. of Organisations</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Welfare</td>
<td>64</td>
<td>17.2</td>
</tr>
<tr>
<td>2</td>
<td>Health—other</td>
<td>55</td>
<td>14.8</td>
</tr>
<tr>
<td>3</td>
<td>Education and culture</td>
<td>43</td>
<td>11.6</td>
</tr>
<tr>
<td>4</td>
<td>Health—cancer</td>
<td>36</td>
<td>9.7</td>
</tr>
<tr>
<td>4</td>
<td>Overseas aid</td>
<td>36</td>
<td>9.7</td>
</tr>
<tr>
<td>5</td>
<td>Religious</td>
<td>35</td>
<td>9.4</td>
</tr>
<tr>
<td>6</td>
<td>Disability</td>
<td>33</td>
<td>8.9</td>
</tr>
<tr>
<td>7</td>
<td>Emergency services</td>
<td>24</td>
<td>6.5</td>
</tr>
<tr>
<td>8</td>
<td>Health—children</td>
<td>22</td>
<td>5.9</td>
</tr>
<tr>
<td>9</td>
<td>Animals</td>
<td>13</td>
<td>3.5</td>
</tr>
<tr>
<td>10</td>
<td>Environment</td>
<td>6</td>
<td>1.4</td>
</tr>
<tr>
<td>11</td>
<td>Other</td>
<td>6</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Source: Data from Westpac Matching Gifts (Westpac 2007b). Table with percentage breakdown created for this study.

Around the late 1990s there is no doubt that Westpac developed its CSR policies as a strategic move to counter many of its current problems. ‘We also at that time started to take a more strategic approach to community investment and community involvement programs’ (S. Brown, 2007, research interview). One significant aspect of the matched gifts program is that there is no business case driving Westpac’s giving. Also very little publicity is generated from the program, with the emphasis being on generating goodwill amongst staff. When recruiting it is mentioned to applicants and Westpac believes it plays a role in staff retention also (Brown, 2007, research interview).

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16 When the researcher suggested to Samantha Brown, the National Head of Community Involvement, that there must be a risk management accountant having a heart attack at the thought of Westpac potentially matching the donations of all 27,000 employees to the value of $A5,000 each per annum, she replied that it was not an issue for the bank and they would honour their pledge up to that level if ever required to do so.
Westpac also has a number of long-term partnerships with not-for-profits. The decisions around who to partner with, in what way to engage, and how much to give are senior management decisions. Some of the notable ones are with Mission Australia, The Smith Family, and the Salvation Army. In the case of the latter this is the longest standing corporate/not-for-profit relationship in Australia, spanning over 126 years, and one in which no written contract has ever existed. Perhaps, needless to say, this long-term involvement is greatly appreciated by the Salvation Army:

We are proud to partner with Westpac who place such importance on the welfare of the communities in which they live and work (M. Campbell, 2007).

One of the better known program that staff can apply to get involved with is the work that Westpac executives and staff are doing in Cape York, in far north Queensland. This project involved working with indigenous communities through the bank’s partnership with the not-for-profit Indigenous Enterprise Partnerships. This commenced in 2001 and over 280 Westpac staff have now participated through a secondment process that has far more applicants wanting to participate than there are spots for them. The work is varied and generally involves the application or teaching of financial literacy and business skills extending into technical assistance also. In one example the Balkanu people had received $A5.2 million in a government grant for broadband communications. The problem was that they were not equipped to spend this to greatest effect. Westpac sent staff with this expertise and made a significant contribution to the successful roll out of this infrastructure (Vaghjiani, 2007, research discussion).

Westpac is very clear about seeking positive outcomes for itself as well as the recipients of its support. It now views this Cape York project, and others, as part of its staff-development program and speaks publicly of significant staff benefits (Doogue, 2007, research interview). Each General Manager is required to participate in two projects either individually or with his or her business team. As regards the question whether there is any tangible evidence or specific examples that involvement in community program benefits staff members the response was an emphatic ‘yes’. ‘You could see the development that they had experienced in their faces when they came back’ (Vaghjiani, 2007, research discussion).

There is little doubt that the involvement of Westpac is appreciated amongst indigenous leaders:

“... the people of Cape York and I, are grateful to Westpac, and more importantly, its people, for coming here and assisting us to solve our own problems. We are delighted that Westpac has extended its partnership with us.” Noel Pearson, Director of the Cape York Institute for Policy and Leadership (Pearson, 2007).

Westpac is now well known for these program and others such as the funding of the Westpac Rescue Helicopter, its support for the Surf Life Saving Movement, as well as rapid response to disasters such as Cyclone Larry, yet there does not appear to be any overt self-promotion (Tracey, 2007, research interview).

The Westpac Chairman and CEO have made the following comments:
It is an undeniable fact that investing in the communities in which we live and work is fundamental to the sustainability of our business (Evans and Morgan, 2007, p. 1).

… banks can, and should, lead beyond their corporate walls when it comes to doing the right thing for communities and the environment (Evans and Morgan, 2007, p. 1).

We are not driven simply by benevolence but by enlightened self interest (Evans and Morgan, 2007, p. 1).

And David Morgan has this to say:

It means being prepared to make trade-offs for the sake of future gains. And it means having a sympathetic regard for others in meeting our primary obligation to maximise long-term returns for our shareholders (Gettler, 2005, p. 2).

Under the stewardship of David Morgan, Westpac has prospered on virtually every indicator. In the last 10 years since 1997, earnings have risen by 12%, profits by 14%, dividends are up 16%, and returns by 23% (Westpac, 2006). However, the corporate responsibility indicators are good also, with Westpac having achieved the highest ranking in the Corporate Responsibility Index each year since its inception in 2003 (Longstaff, 2007a).

As of late 2007 Westpac's marketing still has had a decided air of good corporate citizenship about it. The television and magazine advertisements do not proclaim better service or shorter queues. They do not mention lower interest rates or more flexible mortgage arrangements. In fact they are more likely to feature pictures of polar ice caps, penguins, and the smiling faces of indigenous people.

In 2003 Westpac became one of only ten banks worldwide to sign the Equator Principles agreeing not to finance projects that may endanger communities or the environment (www.equator-principles.com—accessed 18 November 2007). By adopting these principles Westpac is sending a strong message that ‘we are prepared to put the planet and people in the same equation as profit’ (Westpac, 2006).

When David Morgan was asked by the researcher whether the bank applied the same rigour to the measurement of its current marketing approach as it did to any other, and if so what the benefits were, after a long pause his response was:

That is a very tough question but an apposite one. I can look any shareholder in the eye at any annual general meeting and tell them that I am investing the bank’s money wisely when we invest in the community. We survey university students and ask them if they were to join a bank when graduating which one would they join and why. We survey our staff and ask them why they joined and why they stay. We undertake brand recognition surveys and our social policies rank highly in all the surveys we do (Morgan, 2007a, response to a question asked by the researcher from the floor of the conference).

He went on the refer to the bank’s support for the not-for-profit sector and its engagement with the community as a ‘cost effective strategy to attract and retain staff to ensure intellectual capital’ (Morgan 2007a).
Internally Westpac speak of a ‘war for talent’ and see themselves as competing for what they term the ‘best and brightest’ (Kay, 2007, personal conversation) with other banks and companies within the financial sector and elsewhere. Interestingly, however, when it comes to seeing their social investment strategy as giving them a competitive advantage with staff, customers, and investors, Westpac is nevertheless quite prepared to share the knowledge that they have learned with competitors.

I am regularly called for assistance or advice on how best to create or manage a community investment program. I regularly speak at events and workshops attended by competitors (S. Brown, 2007, research interview).

Interestingly, in April of 2007 Westpac Banking Corporation through the Westpac Foundation partnered with the Western Sydney Community Forum to facilitate a study into the creation of a common language through which corporates and the community could engage (Darcy et al, 2007). The project aims to produce an integrated planning and evaluation methodology and tool set tailored to community projects supported by business.

4.4.1.1 Conclusion
Westpac are viewed by many as one of the best examples of a profit-making corporation supporting the broader community through working with the not-for-profit sector. They do not claim this is based on altruism and state that their involvement grew out of their own need to reinvent themselves when in crisis. They acknowledge that their own sustainability is linked to the social and environmental health of the society in which they operate and this is deeply rooted in the ethos of the bank. When giving they are motivated by ‘enlightened self interest’ (Evans and Morgan, 2007) and appear to balance the needs of all their stakeholders from staff, shareholders, and the broader community very skilfully.

In December of 2007 David Morgan retired as CEO and the former CEO of St George Bank, Gail Kelly, took over in February 2008. In her first month she hosted and participated in the annual Corporate Social Responsibility Conference held by the Australian Centre for Corporate Social Responsibility. General consensus amongst staff appears to be that the bank’s commitment to corporate social investment will continue as strongly as ever under this new leadership (S. Brown, 2007, research interview).

4.4.2 Case Study 2—BHP Billiton

While shareholder value is our primary driver, every decision the Board makes takes into account the needs and expectations of all our stakeholders: customers, resources owners, communities and governments, partners, suppliers and our employees. Don Argus, Chairman, BHP Billiton (Argus, 2007).

The continuing success and sustainability of our company is heavily dependent on securing and maintaining our licence to operate, wherever we do business around the globe. Chip Goodyear, Former CEO, BHP Billiton (Goodyear, 2007).
We are successful in creating value when...the communities in which we operate value our citizenship. Marius Kloppers, CEO BHP Billiton (Kloppers, 2007).

BHP Billiton is the world’s largest diversified resources company. It employs some 39,000 employees working in over 100 operations in 25 countries. It is the world’s largest supplier of core steel-making raw materials, such as iron ore; the world’s second largest exporter of energy coal; third largest copper producer; one of the top five uranium producers; the sixth-ranked aluminium producer; and a significant producer of oil and gas.

There was a time when BHP and either the National Australia Bank or the Commonwealth Bank jostled for the position of Australia’s largest company, by market capitalisation. With the merger of BHP and British mining giant Billiton it is now no contest. BHP Billiton has a market capitalisation of $US165 billion with annual revenue of $US47.5 billion and attributable profit, excluding exceptional items, of $US13.7 billion. (BHP Billiton 2007a) Within various publications the company quotes amounts in US dollars and at other times in Australian dollars and for the purpose of this study the currency will be indicated as appropriate on each occasion that amounts are quoted.

The structure of BHP Billiton is that of a decentralised model. The company has nine separate business units, generally defined by the commodity they mine, and each of these has its own President, own HR department, own Finance area, etc. and this also includes CSR and community engagement initiatives. The BHP Billiton head office Corporate Social Responsibility Group, headed by Melinda Buckland, is integrated with Health, Safety and Environment at a head-office level, and is responsible for producing the company’s business conduct policy documents, setting business ethics standards, and ensuring that educational program are rolled out and generally providing frameworks for the business units to operate broadly within (Buckland, 2007, research interview). One thing BHP Billiton head office is very strong on is that their corporate responsibility function does not engage in corporate philanthropy.

I really hate external people saying we give our money away, and still some internal people say “Oh you’re the group who give our money away” because I really don’t think we give it away at all ... In fact it's not my money, it’s the shareholders’ money ... and I don’t think I can give it to an organisation without a business case behind that. It has to make sense for the company (Buckland 2007, research interview).

What does make sense for the company is ‘gaining and maintaining a licence to operate’ (Kloppers, 2007) and this is the principal reason that BHP Billiton have such an extensive community investment program (Buckland, 2007, research interview). The company believes that the days of business telling a community what they are going to do in the community are gone (Buckland, 2007, research interview).

In 2007 the community investment budget was $US103 million (BHP Billiton, 2007a) which dwarfs the expenditure of any other Australian company. When questioned as to why a company operating within the law, paying taxes, providing employment opportunities and mining valuable commodities, that add to the country's overall wealth, has to participate in community investment program, Melinda Buckland answered that as a participant in the mining industry BHP Billiton are acutely aware that they are under constant scrutiny. ‘We’re a big target, big companies are big targets’ (Buckland 2007, research interview).
She also pointed out that the NGO sector (non-government organisations) were now able to get information very quickly from around the world and that as a global mining company they were under constant scrutiny. She sited the example of the company’s impact on villagers in Ok Tedi in New Guinea, and the negative reporting of the company’s activities which had ensued. Aware of the negative impact of this type of publicity on obtaining or maintaining their mining leases, BHP Billiton’s CEO, Marius Kloppers, has stated:

We aspire to Zero Harm to people, our host communities and the environment and strive to achieve leading industry practice (Kloppers, 2007, p. 41).

However, BHP Billiton openly acknowledges that it’s difficult to run a mining operation and not have some negative impact on the environment in which the mining takes place or on the people of the surrounding communities.

Their website (BHP Billiton, 2007c, www.bhpbilliton.com.au—accessed 5 December 2007) lists some of the potentially negative impacts:

1. Increased costs of housing as a result of inflated wages;
2. Environmental damage;
3. Health risks;
4. Increased substance abuse and crime;
5. Disruptions to cultural heritage and practice;
6. Increased population and traffic;
7. Impacts of eventual mine closure.

These are all potentially very significant and, as a result, BHP Billiton knows that mining and oil companies are typically not popular, and that support for local communities is expected these days. When questioned on the likely impact of not giving support to local communities and hence not receiving community support in return for the company’s operations Melinda Buckland had this to say:

I think you might find it difficult in most cases. I think if you had a zero impact, so no negative impact, you might get away with it for a while. However, in the end you do need the community support (Buckland, 2007, research interview).

One important point that needs to be highlighted is that following the discovery of a significant mineral deposit and the development of a mine site, the employees and contractors associated with the BHP Billiton operation may in many cases make up a significant number of the total community population. This is particularly true in remote regions. Therefore, giving to the community is giving to their own employees via improved facilities for themselves and their families. This in turn makes moving to a remote region more palatable for workers, particularly where family members are concerned. Notwithstanding that self-interest may be at the basis of their giving, BHP Billiton are extremely active in this field as a corporation and in facilitating the participation of staff. They have three main channels through which their employees can support the community. These are:

1. Matched giving;
2. Fundraising;
3. Volunteering.
Former CEO, Chip Goodyear, took a strong interest in the employee matched-giving program that was commenced five years ago. It was piloted in three countries, including Australia, and then expanded to countries like Russia, China, and Chile where initial concerns around the possibility of difficulties in managing the appropriateness or validity of recipient organisations had to be overcome (Buckland, 2007, research interview). Staff are highly motivated by this program and competitions have been held between office floors whereby whichever floor pledged the most had their giving double matched by the company.

Under Chip Goodyear the maximum donation that would be matched by the company in Australia was steadily lifted from an initial limit of $A1,000 per employee annually to $A20,000 and finally this year to $A50,000 per employee. The philosophy is that if someone is that generous then the company should support them and match that contribution. And yes there are some people who donate at the maximum level; ‘some of the guys on Level 28’ (Buckland, 2007, research interview). Several country limits are shown in Table 4.4 below.

Table 4.2: BHP Billiton Matched-Giving Limits per Employee

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>$A50,000 maximum / $A20 minimum</td>
</tr>
<tr>
<td>South Africa</td>
<td>ZAR200,000 maximum / ZAR100 minimum</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>£20,000 maximum / £10 minimum</td>
</tr>
<tr>
<td>Canada</td>
<td>$CAN47,000 maximum / $CAN20 minimum</td>
</tr>
<tr>
<td>USA</td>
<td>$US40,000 maximum / $US15 minimum</td>
</tr>
</tbody>
</table>


Fundraising is also matched dollar for dollar and in this case it is a requirement that the employee is a leading person in the activity, be it a school fete or whatever, and is actively involved him or herself in a face-to-face way, not just back office. Between the matched-giving program and the fundraising initiatives there are now something like 880 different not-for-profit organisations benefitting. There are few restrictions and they don’t have to have deductible-gift status, so very small community groups qualify.

Matched giving of straight employee donations and matched giving associated with fundraising are the two principal methods through which BHP Billiton channel funds to the not-for-profit sector.

The third area of support is BHP Billiton’s volunteering program. Many staff participate in projects such as building a gym for kids, fund raising for breast cancer research, and shave-a-thons and ride-a-thons for charity.

The mining industry is unique as regards its employment challenges in that extremely high percentages of staff work in remote regions. In the case of BHP Billiton something like 98% of staff work in rural or remote regions. Typically these people tend to be very community conscious and, as such, perhaps somewhat ironically, volunteering presented an interesting challenge for the company.

We went to those people and asked them what they did in the community and we found that there was a high percentage of volunteering already. They worked for the State Emergency Services, they were the local footy coach, they helped raise funds and were already very engaged in the community (Buckland, 2007, research interview).
Therefore, a conventional program of allowing, say, one or two days off per year to volunteer, would not have worked. Hence BHP Billiton developed an innovative scheme where for every hour that an employee volunteers the company will donate $A10 to that organisation, upon appropriate verification. This channels further funds to the not-for-profit sector.

BHP Billiton’s investment in the communities in which it operates is significant. When studying their program it becomes obvious that there is a focus on indigenous communities. These often form the largest potential pool of labour given the remote location of the many of the company’s mining leases. Yet any assumption about local investment for these groups falling into the category of corporate philanthropy, rather than community investment, would be incorrect. The involvement of the company with indigenous communities is explained as being employment-related not altruistic:

... it’s because of the synergy of our operations and large indigenous communities ... we have an employment shortage ... and the indigenous populations are largely an untapped community (Buckland, 2007, research interview).

BHP Billiton believes that this concept of an untapped employment resource applies to women also. They are now focused on up-skilling these two groups of potential labour with the intention that they will become part of the working community. The company will benefit from greater access to labour and those who participate will in turn benefit from being able to improve their own economic circumstances.

The education of children in these communities has not been forgotten either, with particular attention on school attendance. BHP Billiton conducts program to encourage kids, particularly indigenous kids, to stay at school longer. These have been run in the Pilbara region of Western Australia and other regions. This normally takes the form of rewards such as sporting heroes from the Australian Football League coaching local kids. The qualification, however, is that school attendance needs to be at a particular level. Similarly there are swimming pools, established by the company, that are only open to kids who attend school regularly. The rule, as explained by Melinda Buckland (2007, research interview) is, ‘you can only go to the pool if you go to school’.

One initiative in the Pilbara has been described by Marie-Louise Sinclair from Sinclair Consulting as ‘... a ground breaking example of collaborative partnering between government, corporate and community’ (Sinclair, 2006, p. 5). This is the partnership between BHP Billiton and the Western Australia Department of Education that concerns joint funding of $A6 million over three years to ensure that the children of the Pilbara have access to the same level of education as those in metropolitan regions. It is one of the largest corporate–government partnerships ever undertaken in regional Western Australia.

The Pilbara Health Partnership, involving the Western Australia Department of Health, is similar in scope. Due to the complex and long-term nature of these program they involve formal memoranda of understandings being signed by all parties. These documented agreements have clear objectives that Richard O’Connell, Regional Manager for Community and Public Affairs WA Iron Ore, believes the company is meeting. ‘The outcome has been highly effective collaboration, which helps the company to achieve its social performance objectives’ (O’Connell, 2006, p. 5). These are independently audited on a six monthly or annual basis.
Australian indigenous communities are not the only ones to benefit. The company has focused on the development of small businesses and agricultural projects in and around its aluminium smelter in southern Mozambique. In South Africa they provided access to farming and manufacturing expertise so local residents near their smelter could develop a cashew nut farm and processing business. Clothing manufacturing businesses, livestock, and other agricultural programs in Trinidad and Tobago and environmental conservation and schools program in Chile have all benefited from BHP Billiton’s support via professional expertise, training, or financial assistance.

Support is not limited to third world countries either. BHP Billiton’s New Mexico Coal employees have undertaken valuable educational projects with local Navajo children. US census data reveal that Navajos are least likely of all American Indian groups to pursue educational goals. Through the company’s “Bridges to the Future” program, seventh and eighth grade students with a desire to further their education are offered instruction in areas such as organisational skills, time management, writing and computer skills and test preparation (BHP Billiton, 2007d).

BHP Billiton views their investment in these communities as a valuable source of goodwill for the company. Mining can be a hazardous business and the work which has to be undertaken often creates considerable risk to workers, who generally come from local communities: albeit the modern miner attempts to mitigate this wherever possible. Environmental degradation often takes place during the development or operational phases. Commonly mining leases granted by governments will require that initiatives be undertaken to rehabilitate mine sites at the completion of the mining lease or the mines economic life.

Many of BHP Billiton’s mines are in third-world countries, making negotiations with governments even more complex. Investment in local communities and dollars spent augmenting government initiatives to increase the quality of life for local residents produce considerable goodwill that can translate into easier access to new mine sites and access to local infrastructure. Tables 4.3 and 4.4 show where BHP Billiton directs their community investment dollars.

Table 4.3: BHP Billiton Community Investment by Region

<table>
<thead>
<tr>
<th>Continent</th>
<th>% of Total Spend</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South America</td>
<td>45.6</td>
<td>47,112,175</td>
</tr>
<tr>
<td>Australia</td>
<td>28.7</td>
<td>29,726,723</td>
</tr>
<tr>
<td>Africa</td>
<td>16.1</td>
<td>16,614,813</td>
</tr>
<tr>
<td>North America</td>
<td>6.3</td>
<td>6,480,071</td>
</tr>
<tr>
<td>Asia</td>
<td>2.6</td>
<td>2,694,121</td>
</tr>
<tr>
<td>Europe</td>
<td>0.7</td>
<td>734,578</td>
</tr>
</tbody>
</table>

Source: Table developed for this study. Data taken from Yesterday, Today and Tomorrow: BHP Billiton’s Community Investment Programs (2007d).
<table>
<thead>
<tr>
<th>Category</th>
<th>% of Total Spend</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community development</td>
<td>30.4</td>
<td>31,423,509</td>
</tr>
<tr>
<td>Other</td>
<td>20.8</td>
<td>21,479,138</td>
</tr>
<tr>
<td>Education</td>
<td>19.3</td>
<td>19,969,920</td>
</tr>
<tr>
<td>Health</td>
<td>18.0</td>
<td>18,572,258</td>
</tr>
<tr>
<td>Environment</td>
<td>5.0</td>
<td>5,158,174</td>
</tr>
<tr>
<td>Arts</td>
<td>3.6</td>
<td>3,695,597</td>
</tr>
<tr>
<td>Sports and recreation</td>
<td>2.9</td>
<td>3,063,885</td>
</tr>
</tbody>
</table>

Source: Table developed for this study. Data taken from *Yesterday, Today and Tomorrow: BHP Billiton’s Community Investment Programs* (2007d).

### 4.4.2.1 Conclusion

There is no doubting BHP Billiton’s level of financial commitment to the communities in which it operates. It is by far and away the largest supporter of community projects in Australia notwithstanding the company’s substantial global operation and involvement with local communities in the other countries in which it operates.

Our target is to contribute one percent of pre-tax profit (on a rolling three year average) to sustainable community development programs (www.bhpbilliton.com.au—accessed 30 March 2008).

Equally there is no doubt about the primary reason for that level of support; it is about securing and maintaining a social license to operate. BHP Billiton believes that their community investment also has a positive influence on regulators such as the Environmental Protection Agency in Australia (Buckland, 2007, research interview). They would not contemplate carrying out their mining operations without underpinning these with investment in the local community, as they regard community support as vital to their success (Buckland, 2007, research interview).

They do not talk in terms of philanthropy or altruism. They are very pragmatic about their giving. The company believes that these strategic investments are fundamental to supporting their business objectives and the company’s long-term sustainability. However, when the focus is internal BHP Billiton state that they believe in supporting their employees in regard to the community and social causes that they themselves are passionate about.

As a result of the company’s generosity in supporting staff initiatives the company experiences considerable internal benefits through the goodwill generated by their employee matched-giving program and staff volunteering program, where the financial contributions from their employer are greatly appreciated by the staff members who participate (Buckland, 2007, research interview). The latter also often involves teams of employees working together on projects, which serves to develop greater team work and cement employee relations through a kind of surrogate team building thereby further justifying the company’s expenditure on these program.

BHP Billiton has the highest annual budget for community investment program of any company in Australia. With the uncertainty on financial markets that occurred in late 2007 and continued in the first half of 2008 there may be a number of not-for-profit organisations concerned about a cut back in corporate giving. However, in the case of BHP Billiton, as this expenditure is seen as a direct business cost, essential to underpin its license to operate within the community, it is likely to continue irrespective of prevailing market conditions.
4.4.3 Case Study 3—Telstra

For all of us at Telstra, the definition of success extends beyond financial performance. Ziggy Switkowski, Former CEO Telstra, Donald Mc Gauchie, Chairman, Telstra (Switkowski and Mc Gauchie, 2004).

As part of the fabric of Australian society and as a company that touches nearly every Australian every day, it is essential that we carefully consider the impact of each and every one of our decisions on our people, customers suppliers, investors and the communities in which we all live Ziggy Switkowski, Former CEO Telstra, Donald Mc Gauchie, Chairman, Telstra (Switkowski and Mc Gauchie, 2004).

At Telstra we know that what is good for Australia is good for Telstra. It makes sound business sense to appreciate the full impact of our business decisions on the larger community and identify ways we can improve in the future. Sol Trujillo, CEO Telstra (Trujillo, 2007)

The real strength in giving lies in outcomes. The Foundation focuses on the wide-ranging needs of children and young people – that way we can really change things for the better Herb Elliott, Chairman, Telstra Foundation (Elliott, 2007).

The origins of the Telstra that we know today date back to 1901 when the Postmaster-General’s Department was established by the Commonwealth Government to manage all domestic telephone, telegraph, and postal services. Additional to this in 1946 the Overseas Telecommunications Commission was established to manage international telecommunications services.

There have been various structural and name changes throughout Telstra’s history. Perhaps the most significant was in 1975 when the Commonwealth Government split telecommunications from postal services, creating two separate entities being Telecom Australia and Australia Post. Telstra Corporation Limited was created in 1993 and began trading domestically under the name Telstra in 1995.

Some statistics pertaining to Telstra include the payment of some $A4 billion in salaries and wages to around 45,000 employees; the payment of $A3.4 billion dollars to shareholders in dividends; and the payment of $A1.6 billion in government taxes. Telstra considers that these represent its first and most significant contribution to the well-being of the Australian economy and community. Telstra is one of the largest corporations in Australia and somewhat unique as its largest shareholder is the Commonwealth Government, even though this reduced from 100% to 17.6% ownership as a result of several share market floats during the period that the Liberal government were in power and in line with that government’s stated intention to divest itself of ownership. This 17.6% was transferred in February 2007 to the Commonwealth Future Fund.

Telstra has one of the most recognised brands in Australia and is a major contributor to the Australian economy. As with many large companies, from time to time it receives negative press. This is also the case in regard to mining companies such as BHP Billiton, as in the previous case study in regard to environmental issues and as already stated the banks are also regular targets, generally due to interest rates, bank fees, and the perception of excessive profits.
The telecommunications industry per se has not been targeted, however, in Telstra’s case, since privatisation commenced in the early 1990s, the press has been particularly critical. Some of the recent controversy has concerned criticism of its senior management team, often labelled ‘the three amigos’ (Switzer, 2006), the nearly $A12 million salary package for CEO Sol Trujillo, who took over in 2005 (O’Sullivan, 2007), and at times its disappointing share price. Concern over regional services as well as worries over EME, or electromagnetic energy emissions, and the possibility of adverse health effects associated with these, are areas of media and at times public concern.


Despite the regular criticism that Telstra receives it remains one of the most active participants in community investment program in corporate Australia and the Telstra website, www.telstra.com (accessed 15 December 2007), abounds with information, statistics, and case studies.

Telstra has also demonstrated its commitment to benchmarking its social responsibility initiatives by participating in the annual Corporate Responsibility Index (Corporate Responsibility Index, 2006, www.corporate-responsibility.com.au—accessed 30 June 2007); survey results that are then made public. Many corporations do not participate, perhaps preferring less public scrutiny than Telstra is prepared to subject itself to.

They did not make it to the top rankings; a position achieved by only five companies—Westpac, Toyota, BHP Billiton, Rio Tinto, and ANZ. Integration and corporate strategy were below the others, although the main area marked down was environmental performance and impact. Maria Simpson, the National Manager Telstra Community Investment, indicated that this was because they had changed management reporting systems and were consequently unable to show the required three year trends required (Simpson, 2007, research interview).

Also Telstra did not participate in the 2006 report their results were held over from 2005 and used as a benchmark against others. Simpson explained that this was because it was decided to remain focused on the company-wide transformation and not distract the considerable resources that would be required to complete the survey. ‘Telstra participated again in the 2007 survey to be published later in 2008 (Simpson, 2007, research interview).

Notwithstanding survey results Telstra have continued to do considerable work in the area of the environment.

Telstra’s leadership in the area is seen in its commissioning of research into the potential impact of telecommunications on national carbon emissions (Simpson, 2007, research interview).

Outcomes of the research, undertaken by climate-change experts Climate Risk were published in the resulting report, Towards a High-Bandwidth, Low-Carbon Future: Telecommunications-based Opportunities to Reduce Greenhouse Gas Emissions (Mallon et al. 2007—accessed 23 December 2007).
This report lays out strategies to cut energy through the use of these technologies, and states that if implemented by business, governments, and households across Australia, are estimated to result in a saving in national energy consumption of nearly 5%.

Telstra holds that its main social contribution is made first and foremost through the economic benefits delivered through the provision of jobs, the payment of taxes, and the development of opportunities for strong economic development counts (Simpson 2007, research interview). Nevertheless it chooses to go beyond this in ways ‘where more than money counts’ (Simpson, 2007, research interview).

Unlike other companies that participated in the case studies, there appears to be less emphasis at Telstra’s in providing support for the not-for-profit sector or disadvantaged in society through straight financial donations. They believe that they can contribute in other ways that make more sense for Telstra such as through the application of their technology or core business capabilities.

It’s not just about giving money but about contributing our resources; our people, our knowledge and skills, our infrastructure, products and services in ways that provide a greater contribution than straight monetary donations, where more than money counts. (Simpson 2007, research interview)

Telstra CEO Sol Trujillo lists the following amongst the company’s primary corporate objectives:

… contribute resources—people, money, technology, products and services—to support the communities in which we operate and the needs of the larger society (Trujillo 2007).

Unlike many other Australian companies, Telstra does not have a matched-giving program. Telstra’s overall philosophy appears to be one of giving to members of the community through the provision of either pro bono or subsidised services in areas that are core to its business and that allows it to leverage its core competencies and existing infrastructure.

One very good example of this is the provision of communications services, through its MessageBox Program, providing free messaging services for itinerant and homeless people so that they can stay in touch with family members and carers. (Telstra, 2004) Telstra also provides pensioner discounts and bill assistance coupons to community organisations to assist their clients who are experiencing financial hardship and through this facilitate ongoing communication (Simpson 2007, research interview).

This fits in well with Telstra’s aim of working toward ‘bridging the gap in regard to social and geographic isolation’ (Simpson, 2007, research interview). It has been calculated by Telstra that some $A212 million dollars of value has been contributed each year in this way through its Access for Everyone program of services alone, however, the internal method used to calculate this is not publicly available. The company has also started participating for the first time in external benchmarking through the London Benchmarking Group to measure and benchmark the value of their corporate community contribution. In the last financial year Telstra focused on capturing its flagship corporate program only, which were valued by the group at $A18.8 million for the 2006/7 year.
One important area of focus for Telstra is in responding to emergency or disaster relief. Maria Simpson (2007, research interview) explained that following the Tsunami on Boxing Day 2004, the corporation had to ask itself how it could best respond to natural and civil disasters in future. Again the decision was largely not to donate funds but to apply its core business capability in the most appropriate ways for people affected by the disaster; i.e. to provide services to keep them in communication with families and other services:

What matters most in emergencies or disasters is that we keep people connected. We saw it as vital to keep emergency services communications operating. Beyond this we help customers and communities to stay in touch with families and friends when their homes and environments are hit by disasters (Simpson, 2007, research interview).

Typically Telstra communications technicians are amongst the first to enter disaster affected areas and commence restoring telecommunications services to their customers as soon as emergency services say it’s safe to do so. This is part of their philosophy of immediate response and service provision. Alongside this service restoration the establishment of dedicated emergency assistance hotlines, redirecting calls from affected customers’ home phones to their mobiles at the home phone rate, rebating of overseas or STD calls, and one-off $A50 credits to affected mobile phone users are amongst some of the initiatives that may be implemented by Telstra to support communities at a time of need (Telstra, 2007).

At times Telstra has come in for criticism around its lack of concern for providing infrastructure and services to regional Australia. However, Maria Simpson states that it is sometimes overlooked that Telstra is the only service provider to all Australians no matter where they live and that Telstra Country Wide was established to ensure regional customers have a local presence to understand and address their service requirements. Notwithstanding, Telstra’s support via its community investment initiatives may be in part redressing this perception (Simpson, 2007).

One such initiative is the provision of free Next G™ Network services to the Victorian Country Fire Authority in January of 2007 when bush fires threatened north eastern Victoria. This Next G™ equipment allowed the fire fighters to access real-time data. Similarly this new network now allows ‘students in Bendigo or Bathurst to go to university in Sydney or Melbourne without having to leave their home town’ (Booth, 2007). Its regional medical applications allowing people in remote areas to access specialist treatment are another major contribution to regional Australia.

Telstra engages in corporate philanthropy through an entity known as the Telstra Foundation. Its Chairman is Herb Elliott, well known as a past Olympic long-distance runner, but now very involved in the not-for-profit sector. ‘Philanthropy is not sponsorship. Philanthropy is giving without the expectation of reward’ (Elliott, 2007).

The Foundation’s focus is on children and young people and since its inception in 2002 has financially supported over 4,190 large and small projects with contributions now exceeding $A23 million. In the last financial year it contributed $A4.3 million to 850 not-for-profit organisations. Indigenous children are amongst beneficiaries with Dr Chris Sarra, Director of the Indigenous Education Leadership Institute, commenting ‘I can’t describe how grateful I am for Telstra Foundation’s vision and belief in Aboriginal children’ (Sarra, 2007).
The two main vehicles used by the Telstra Foundation for the distribution of funds are the Telstra Foundation Community Development Fund and the Telstra Kids Fund. The Community Development Fund supports projects with one purpose in mind—to connect children and young people to their communities. The emphasis is using information and communication technologies to connect communities that are socially or geographically isolated, particularly valuable in the case of indigenous communities. Cyber safety—keeping children safe on-line—is another area of focus.

Amongst the largest grants have been for Abracadabra, Charles Darwin University, NT ($A250,000 per year for three years), Beanbag, Inspire Foundation, NSW, ($A200,000 per year for three years), Modblogging and Belonging, Murdoch University, WA and QUT, QLD ($A145,000 over two years), Reconnections, Novita Children’s Services, SA, ($A217,000 over three years), and Breathe Easier On-Line, Royal Children’s Hospital Foundation, QLD ($A292,000 over three years). The Telstra Kids Fund provides grants of up to $A1,200 to not-for-profit organisations involving the children of Telstra employees.

One example of where Telstra has preferred participation and use of resources over cash donations is a program undertaken through its Telstra Community Investment Group. This involves working with the Centre for Adolescent Health at the Murdoch Childrens Research Institute. Telstra assisted with the development and application of a tool that uses mobile technology to diagnose and treat depression better in young people. Known as Mobile TYPE, an acronym for Tracking Young People’s Experiences, it involves the use of a mobile phone to track everyday moods, activities, stresses, coping strategies, and other lifestyle factors.

The device self-initiates four times a day and alerts the young person to complete an entry that is then recorded and the data are then aggregated for the study. Given the high take up rate of mobile phones amongst young people it is not hard to see how this medium could be a powerful mechanism to assist with youth mental health issues. Dr Sophie Reid from Murdoch has stated that:

> The support of Telstra and the Telstra Foundation has been the critical success factor in the development and implementation of our Mobile Type program (S. Reid, 2007).

Sponsorships of initiatives such as the National Aboriginal and Torres Strait Islander Art Awards, the Banksia Environmental Awards, and the Telstra Assistance Fund, providing $A1.5 million in equipment funding to grassroots sporting clubs, are some of Telstra’s other wide-ranging program.

Some initiatives included by Telstra in their Corporate Responsibility Report (Telstra 2007) could perhaps be considered to fall outside the normal sphere of philanthropic support for the community or corporate social investment, yet may still be counted by Telstra in their assessment of the dollar value of their community contributions. One such initiative is the Telstra museums, and another is the creation of websites such as nowwearetalking (Telstra microsite, 2007, www.nowwearetalking.com.au—accessed 23 December 2007) may fall into this category. It is designed to allow anyone to have their say, supportive or dissenting of Telstra. Maria Simpson was keen to defend the value of these initiatives and emailed this passage for inclusion in the study:
It provides an avenue to raise awareness of, and engage the community in, debate about significant social policy issues which directly affect Telstra, its customers and the Australian society. It is a new and innovative way to encourage stakeholder engagement. In terms of corporate responsibility, which Telstra sees as being far more than just philanthropy, encouraging awareness, sharing information and engaging in debate is critical to the democratic process and hence contributing to the wider national development. It helps to develop the knowledge and strength of civil society which is ultimately one of the aims of most philanthropic and social welfare activities. It specifically addresses issues which will ultimately impact the lives and opportunities of people throughout all of Australia and ultimately their ability to live work and prosper (Simpson, 2008).

It nevertheless, provides a direct avenue for the ‘nowwetalking team’ to publish information in support of Telstra and potentially a vehicle to disagree with those who oppose those views. Dr Phil Burgess, Telstra Group Managing Director Public Policy and Communications, within the context of Telstra’s community engagement, has labelled the website as having the capacity ‘to change the lives of people and communities for the better’ (Burgess, 2007).

In 1989 Telstra formed what it calls the Telstra Consumer Consultative Council, the TCCC. This body meets three times a year with 15 peak Australian organisations representing different interests including Australian Council of Social Services, Central Land Council, National Council of Women, and the Isolated Children’s Parents’ Association.

This provides an ongoing opportunity for consumer and Telstra representatives to discuss telecommunications issues that affect residential customers and do something about them. It also provides structured opportunities for consumer representatives to provide input into Telstra's decisions and on specific initiatives and networking opportunities for Telstra and consumer representatives to explore initiatives of mutual benefit. Geraldine Doogue, one of the initial interviewees is a member of this council.

4.4.3.1 Conclusion

As no face-to-face interview was granted by Telstra, the depth of probing around motivations and the chance to ask questions on future directions was somewhat limited.

Notwithstanding this, Telstra is undoubtedly one of the most active companies in Australia in regard to its community investment program, as is the Foundation in its philanthropic work, and any brief overview will not do justice to the scope of the work undertaken, donations made, or positive outcomes achieved. The reach of these program is broad as are the benefits for the community.

The primary motivation for its community program and engagement with the not-for-profit sector, is largely due to an acknowledgement that there is a growing expectation from stakeholders, particularly shareholders, that large Australian companies, like Telstra, will contribute to the societies in which they operate, in ways beyond simply the provision of employment and the payment of taxes.
Telstra believes that their level of community investment and giving is at a level which satisfies its key stakeholders and that they in turn benefit from this stakeholder support (Simpson, 2007, research interview).

As one of the nation’s largest employers, with staff who number around 48,000, Telstra are also conscious of their internal reputation with these staff as well as with prospective employees. One of the benefits that Telstra see for supporting employee volunteering program is to:

... give people additional and transferable skills, increase the company’s standing in the community and is likely to improve workplace morale and result in improved recruitment and retention (Telstra, A Broad Band of Responsibility 2007).

Employees are encouraged to participate in volunteering activities with organisations, charities and community groups with which they connect (Telstra, A Broad Band of Responsibility 2007).

It is clear that the tangible giving of the Telstra Foundation is felt potentially to have a positive flow on to staff internally. As Herb Elliott, the Chairman of the Telstra Foundation, states:

I hope that Telstra staff will feel a sense of pride and ownership in the Telstra Foundation and its activities. I believe that the culture that you develop within a company is far more valuable if you can see that you are making a valuable contribution to the community (Elliott, 2007).

As for what the future holds, Telstra appears committed long term to the continuation of its community investment initiatives. It is unlikely that Telstra’s involvement with the not-for-profit sector will diminish, given the extent of its program and the growth of this trend across most large corporations today.

As regards the Telstra Foundation, the future direction would appear to be ‘toward larger projects with longer time frames and the development of stronger and longer lasting relationships with grant recipients’ (Telstra, 2007).

4.4.4 Case Study 4—Bendigo Bank

“Our company was started in 1858 with the aim of creating a sustainable community...We believe we continue to embody the ideals set down by our forebears; help to create successful, sustainable communities and our own success will follow.” Robert Johanson, Chairman, Bendigo Bank (Johanson, 2006).

“Our vision was to build a world-class banking organisation for all stakeholders ... with a clear point of difference. We wanted to be more valuable than the banking products provided” Rob Hunt, Managing Director, Bendigo Bank (Hunt, 2006).

Bendigo Bank has its origins on the Bendigo goldfields of 1858 when the ‘town’ largely comprised tents and humpies. The Bendigo Permanent Land and Building Society was formed to provide housing for miners, and Australia’s first building society was born. ‘As Bendigo prospered, so did its building society’ (Bendigo Bank 2007a, www.bendigobank.com.au—accessed 18 October 2007).
Many other societies set up in competition to what had become known as “the Bendigo”, but most of these did not stand the test of time, whereas “the Bendigo” produced profits in every year of operation; miraculously right through the financially troubled years of the 1890s and 1930s.

The initial aim of the Bendigo focused on a family’s well-being and is represented by this simple statement from Bendigo’s longest serving manager, Frank Perrow:


During the Great Depression of the 1930s the Bendigo’s philosophy of supporting its customers was never more seriously tested. In what seems almost contradictory to today’s banking practices, rather than foreclose, the Bendigo preferred to encourage borrowers to stay in their homes ‘until your circumstances improve’ (Bendigo Bank 2007a, www.bendigobank.com.au—accessed 18 October 2007).

In 1995 the Bendigo converted from a building society to a bank to further its expansion plans, which included a desire to move outside Victoria and tap interstate markets. It had been growing rapidly over the preceding few decades and has continued to do so.


Most recently Bendigo Bank had become a takeover target for Bank of Queensland. Despite the Bank of Queensland offering a 40% premium over the then share price, the Bendigo Bank board rejected the offer. In a bold counter move in November 2007 the bank merged with Adelaide Bank to consolidate further its position in the market. In what is widely seen as a takeover, the new entity trades on the ASX using Bendigo’s BEN code.

A decision will be made in 2008 as to whether a new name of Bendigo Adelaide Bank will be adopted or not. The newly merged entity became the seventh largest banking group in Australia, with the addition of Adelaide’s 180,000 customers to Bendigo’s 1.2 million. Net profits for financial year 2006/7 were $A121 million for Bendigo and $A101 for Adelaide Bank (Kwok, www.forbes.com—accessed 24 December 2007).

The Australian banking industry is conducted within a legislative framework known as the ‘Four Pillars’ policy. This prohibits any of the four largest banks from acquiring or merging with each other, thereby preventing concentration of the banking sector. By way of comparison, Bendigo Bank’s new combined profit picture of $A222 million contrasts sharply with the smallest of the big four, namely Westpac Bank’s net profit for the same period of $A3.45 billion (Westpac 2007a, www.westpac.com.au—accessed 2 November 2007).
Rob Hunt assumed the role of Managing Director of the new merged entity, which is likely to see the strong ethos of support for the community and the principles that have made Bendigo Bank a much admired organisation remain. When discussing leadership around CSR in the Australian banking industry two names are likely to emerge (Doogue, 2007; Swinburne 2007; Traill, 2007—research interviews).

Michael Traill from Social Ventures Australia, one of the ten interviewees documented earlier, encapsulates this very well:

You can have David Morgan from Westpac talking eloquently about three to five to ten year timeframes and why for an organisation like Westpac there is moral and economic imperative, and he’s quite a high-profile figure.

And there are others like Rob Hunt, from Bendigo Bank, who is a much lower key figure who shies away a little bit from the press, that is loved in that organisation, and the Bendigo Bank model is deeply respected in the community. In terms of practical on the ground leadership he does it by example and does it very well (Traill, 2007, research interview).

It is not often that you hear words like ‘love’ and a banker’s name in the same sentence but in Rob Hunt’s case it is not uncommon. ‘Respect’, ‘integrity’, and ‘stewardship’ (De Araugo, 2007; Traill 2007—research interviews) are also common.

Bendigo Bank is unique in that it appears to have an unbroken history of maintaining its corporate culture and underlying principles of concern for the community. The economy has moved up and down, predators have circled, competitors have been acquired and integrated, managing directors and board members have come and gone and yet Bendigo Bank has stayed true to its underlying philosophy. This is displayed throughout the bank and its various entities:


This is not tick-in-the-box CSR, a motherhood statement, or just marketing rhetoric. There is something genuine that inextricably links Bendigo Bank to the communities in which it operates (De Araugo, 2007, research interview). ‘When you go to Bendigo itself it’s like driving into one big Bendigo Bank’ (Harris, 2007, personal conversation). ‘I bank at Bendigo for one reason, they support my local community’ (C. Wilson, 2007, personal conversation).

In marketing terms companies will, over many years and through investing millions of dollars, attempt to own a particular word, colour, market positioning or whatever, in order that when a potential customer hears that word or sees that trigger they recall that brand. This can be particularly powerful if the association is with something extremely positive (Porter, 2004). Bendigo Bank appears to have achieved this, with its name virtually synonymous with the word “community”. This has been an intentional strategy for nearly 150 years, yet does not appear to suffer from rejection by ever-increasing astuteness and cynicism from today’s consumers. It would appear that this is because Bendigo Bank, consisting of its board, its management team, and its staff actually believe in the philosophy that drives marketing and their decision making. The rhetoric and reality appear to be one.
Bendigo Bank is mindful of shareholder returns and fiscal responsibility, in fact it appears clear that their community engagement program are designed to improve the bottom line and do so very effectively.

One of the main things is that it has to be good for the community and good for business. If we have a total focus on just business we might as well be just one of the other banks and if we focus totally on wonderful altruistic stuff we will go out of business (De Araugo, 2007, research interview).

When becoming a bank in 1995 and stepping up to compete with the big banks they needed a clear point of differentiation. This was the era of bank bashing when banks in Australia were despised by many. What was Bendigo’s strategy? It was to do what it had always done; support the community. This in itself set it apart from virtually all other large banks in Australia. It was sheer genius.

But could this have worked if it was not genuine?

People see through it. We have had people who have gone out and talked about our projects with the primary motivation of getting more business, but the community spots it. (De Araugo 2007, research interview)

Reinforcing the clear indication that Bendigo Bank sought to own the term “community” was its registration in 2003 of the brand “Community Bank”. This trade marking took four years to achieve and was important as it symbolised more than just the two words independently would suggest (Davies, 2003).

Over 2,000 bank branches have closed in recent years, many in regional areas, and for Bendigo Bank to take the opposite tack, and also the moral high ground, was an astute business decision (www.theage.com.au—accessed 24 December 2007). The model revolves around a shared commitment between community and corporate partner, whereby the community raises the start-up capital of about $A500,000 and Bendigo Bank fits out the premises and provides infrastructure, training, and marketing under a profit-sharing franchise agreement.

In regard to the problem of bank closures Bendigo’s Managing Director, Rob Hunt, stated that:

We felt much of the change required to affect a solution had to come from within—that communities needed to take responsibility, rather than look to someone else to fix the problem. (www.econ.usyd.edu.au—accessed 24 December 2007)

Recently elected Minister for Finance in the new Rudd Labour Government, Lindsay Tanner, suggests this is ‘a good example of relational thinking applied to an economic problem’ (2003). He likes the shared obligation aspect of the model, stating:

It meets the relational needs of small business and individuals ignored by the major banks and because it requires individual communities to mobilize in order to make it work (Tanner, 2003).
And work it has, with over 200 Community Banks now having opened with every state in Australia represented. These banks channel profits back into their communities and some significant projects have been undertaken.

So the banking is the project but the outcome might be a new swimming pool, a new sports and recreation structure or a new aged care facility. The bank is just a vehicle to get from here to there (De Araugo, 2007, research interview).

There appears to be plenty of evidence that internal benefits abound also, made all the more important with recruitment being one of the key business challenges facing banks today in the ‘war for talent’ (Kay 2007, personal conversation). ‘People were coming to work because Bendigo Bank was different’ (De Araugo, 2007, research interview). Again, a key reason appears to be the genuineness of the bank’s approach:

What I’ve learned is that the motives have to be right. Predominantly in this organisation the motives are right, set at the top and filter through the executive and there is a willingness from staff to get involved for all the right reasons (De Araugo, 2007, research interview).

Another highly successful initiative of the bank has been its support for the Lead On youth initiative. This not-for-profit organisation matches young people with mentors, or what it calls ‘active advisors’. (Lead On Australia, www.leadon.com.au—accessed 18 October 2007) In some cases they work within participating companies, which include Bendigo or Community Banks. In one such case a 21-year-old has already joined the board of the Community Bank.

Over 4,000 young people have now actively participated, representing every state in Australia. Over 800 businesses have provided projects, with Bendigo Bank being the largest financial donor, participant, and employer from the project.

I had a call from a woman in our HR Department one day asking “do you have any more of those Lead-On kids?” (De Araugo, 2007, research interview).

The advantage to a prospective employer is that they know they are already motivated as they’ve chosen to join Lead On and they can easily check what they are like in the work place by speaking with one of the mentoring companies that they have worked in previously.

Bendigo Bank is involved in many other community projects but they all follow a similar ethos, that of mutual participation and mutual collaboration. These include, Bendigo Community Telco, iTel Community Telco, Ballarat Community Enterprise, Inspired iLand Community Enterprise, Sunshine Coast Community Enterprise, and Oxley Community Enterprise.

Like Westpac and others Bendigo Bank also has its purely philanthropic side. In this case the vehicle is the charitable structure Community Enterprise Foundation.

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17 The researcher’s first point of contact with Bendigo Bank was with Felicia Carbon, a Lead-On placed staff member of Bendigo working in the office of Chris De Araugo, Bendigo’s National Community Enterprise Manager, who the researcher subsequently interviewed.
Support has been provided in the areas of family, youth, health, education, the environment, and the arts amongst others. Bendigo Bank also facilitates donations and interest sharing for charities such as Oxfam through its ethical investment account established in 2000. Another initiative is the Community Sector Banking structure, which is a subsidised banking facility for not-for-profit organisations to use.

4.4.4.1 Conclusion
Corporate community investment is not peripheral to Bendigo Bank’s business model; it is absolutely core. It permeates the thinking, decision making, and psyche of the managerial levels and staff. It’s why many people joined the bank, why they stay, and why others became customers.

The organisation is very clear about its motivation. It is because it's good for everyone and everyone wins. The community benefits and the bank and its shareholders benefit. As their slogan states “a successful community makes a successful bank” and they are very clear about the fact that it specifically works in that order—community first. They can call a meeting in a town where they have little or no presence and 200 people will turn up. No other bank can achieve that, and it's because people know that to support a new Bendigo or Community Bank opening up will be good for the community.

There are many synergies between the two recently merged entities of Bendigo Bank and Adelaide Bank that should help to maintain the integrity of what has made Bendigo so respected and so successful. Both have origins stemming back over a hundred years and both commenced as building societies. As it approaches its 150th birthday the Bendigo Bank Group will need to decide whether it maintains its core philosophy and core strategy of strong community involvement as it grows in size, and as it moves from under the stewardship of Rob Hunt, who has announced in mid 2007 that he will leave the bank within the next 18 months.

Given the success of the current strategy it is unlikely that it would be greatly varied. However, the greatest threat to the bank’s continued support for the community could come from any future hostile takeover from one of the major Australian banks if shareholders were seduced by an attractive offer in sufficient numbers and it was absorbed into a larger organisation with the potential loss of its strong culture.

4.4.5 Case Study 5—PricewaterhouseCoopers

PwC is not just a business but an influential member of global society. We are acutely aware that this membership brings its own responsibilities ...Leadership encompasses more than business skills. It requires broad social and emotional awareness. Sam DiPiazza, Global CEO, PricewaterhouseCoopers (DiPiazza, 2007, p. 5).

We believe that responsible business and success go hand in hand. Far from being an impediment to business performance, integrity and generosity often underpin it. Tony Harrington, CEO PricewaterhouseCoopers, Australia (Harrington, 2007, p. 6).

PricewaterhouseCoopers, or PwC as it is known, is the world’s largest professional services organisation. It works across the fields of accounting, tax, audit, and business advisory services. It operates in 142 countries utilising the skills of over 125,000 partners and staff. In Australia this number is around 6,000.
There are three principal reasons why PwC was chosen for this study: Its high level of involvement and commitment to the not-for-profit sector and the community (C. Reid, 2007, personal conversation); the professionalism which they have brought to the engagement process (Traill, 2007, research interview); and their unique organisational structure, relative to the other case studies, in that they are a partnership as opposed to a publicly listed corporation.

As a prosperous and well-connected professional services firm one has to wonder why PwC would feel the need to enhance its public image through philanthropic gestures or displays of support for those less advantaged in the community. Interestingly the title of the *PricewaterhouseCoopers Australian Foundation Annual Report* (2007) is, *Why Bother?*

Five years ago PwC decided to bring a fairly fragmented approach to supporting the not-for-profit sector under the one umbrella of a foundation. Prior to that, giving was largely determined by the preferences of individual partners with little engagement from people within the firm with the recipient organisation. (Moors 2007, research interview) Hence the PwC Australian Foundation was formed. The other large professional services firms all engage in various programs, however, none has formed a Foundation (Moors, 2007, research interview). This has proven to be a great success, bringing greater focus and structure and as a result has had an impact on desired outcomes. Budgets have been set, staff allocated to the Foundation, and specific charity partners and strategic partners selected by the Board (Moors 2007, research interview).

I like to think of it as social responsibility with rigour. It isn’t just a cheque book game plan any more; it’s how do you bring rigour to every aspect of how the organisation engages in the space (Harrington, 2007, p. 3).

Two strategic partner organisations, which both implement their own program as well as working with other not-for-profit service delivery agencies, were chosen. These were Social Ventures Australia, or SVA, the organisation founded by Michael Traill, and The Australian Business and Community Network, ABCN.

At PwC accountability is important in everything we do. The SVA model of venture philanthropy provides us with transparent information about the performance of our social investments (Harrington, 2005, p. 9).

There are also currently 23 not-for-profit recipients of the Foundation and it is the intention that every three years staff will be surveyed to determine their preferences for on-going not-for-profit partners. Funding of $A2.6 million is currently allocated to these partnerships with an additional $A1 million specifically set aside for what PwC call ‘capacity building’ (Moors, 2007, research interview) projects within the partner organisations. Current not-for-profit partners are:

- Anglicare
- Australian Business and Community Network
- Breast Cancer Foundation
- beyondblue
- Camp Quality
- Cancer Council
- Endeavour Foundation
- Guide Dogs
- Reach
- Red Cross
- Salvation Army
- Save the Children
- Starlight Foundation
- Social Ventures Australia
- The Smith Family
- Urban Seed
Table 4.5 shows PwC’s progression of its approach.

### Table 4.5: Progression of PricewaterhouseCoopers Australian Foundation

<table>
<thead>
<tr>
<th>Year</th>
<th>Engagement Approach</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY04</td>
<td>Individual actions</td>
<td>Donations, volunteering</td>
</tr>
<tr>
<td>FY05</td>
<td>Focussed actions</td>
<td>Recurring giving, coaching</td>
</tr>
<tr>
<td>FY06</td>
<td>Impact on charity partners</td>
<td>Capacity building, providing professional expertise, intent statements developed</td>
</tr>
<tr>
<td>FY07</td>
<td>Impact on not-for-profit sector</td>
<td>Transparency awards, Social Ventures Australia, Enterprise Sector, Australian Business and Community Network</td>
</tr>
</tbody>
</table>

Source: Adapted for this study from *PricewaterhouseCoopers Australian Foundation Annual Report: Why Bother?* (2007).

PwC believes that by limiting the number of not-for-profit partners it will be able to develop more sustainable and impactful partnerships (PricewaterhouseCoopers 2007, www.pwc.com—accessed 16 October 2007). When questioning the motivations of PwC to engage with the not-for-profit sector, Sarah Moors, National Manager of the PwC Foundation, had this to say:

> It has never been about increasing the firm’s income or for reputational reasons—it has always been about our staff (Moors, 2007, research interview).

The average age of staff at PwC is only 27 years (Moors 2007, research interview) and this presents challenges for firms, like PwC and others, as they chase the 'best and brightest in the war for talent' (Kay, 2007, personal conversation).

> It’s important to appreciate that the people coming out of university think differently than we did at their age. There has almost been a generational shift in talent with people in their 20’s and 30’s now saying “Yes I want a challenging career, yes I want a good package, but up there in my top priorities is the desire to have a meaningful role in the community” (Millen, 2007, p. 4).

PwC compete vigorously for graduates and other qualified staff not only against their professional service competitors such as Ernst & Young, KPMG, and Deloitte but also against the banks and many other large Australian and international companies. In relation to the change in the dynamic and balance of power between employer and candidate in an interview situation these days and whether candidates ask questions around a prospective employer’s corporate social responsibility position, Sarah Moors (2007, research interview) comments:

> Definitely. I’ve seen it first hand, it is very common. Potential candidates will ask what programs you have … we have been starting to build this into our recruitment campaigns. It’s a very competitive market for the best graduates, and it’s an important part of the PwC experience so we definitely talk to our candidates about it.
The firm surveyed 190 graduates who joined the firm in 2006, with the following results:

1. 40% of new graduate recruits were aware of the Foundation before deciding to join PwC.
2. 25% of all new graduate recruits said that the PwC Foundation was a factor in their accepting a job as opposed to another company.
3. Therefore 62.5% of new graduate recruits, who knew about the Foundation, said it was a factor in joining PwC over other potential employers.

Beyond the recruitment benefits PwC sees significant benefits also for staff in terms of personal and professional development. As regards the impact of the Foundation and its work on remaining with PwC, of 306 staff responding to a recent survey it was found that:

62% said that the PwC Foundation, its activities and its involvement in the community makes them more likely to remain at the firm. (Moors 2007, research interview)

In May of 2007 PwC was one of three companies to win the Corporate Citizenship Award from Global HR News, a Californian based media company. The other recipients were Caterpillar and Pfizer Inc. PwC received this award for their Ulysses Program—a global leadership development program in which 80 partners from 32 countries have been sent on 26 projects in developing countries. Ulysses does not simply involve a brief visit to a project site. It requires significant commitment and is designed to be life changing for participants as well as bringing significant benefits for the recipient project. A schedule, referred to as the ‘learning journey’ is followed (see Table 4.6; PricewaterhouseCoopers 2007, www.pwc.com—accessed 16 October 2007).

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Activity</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 weeks</td>
<td>Preparation &amp; selection</td>
<td>On the job</td>
</tr>
<tr>
<td>1 week</td>
<td>Foundation</td>
<td>Residential</td>
</tr>
<tr>
<td>8 weeks</td>
<td>Specific project</td>
<td>Fieldwork</td>
</tr>
<tr>
<td>1 week</td>
<td>Review</td>
<td>Residential</td>
</tr>
<tr>
<td>Ongoing</td>
<td>Follow up</td>
<td>On the job</td>
</tr>
</tbody>
</table>

Source: Adapted for this study from PwC web site, www.pwc.com.au.

This is a good example of PwC’s philosophy that its activities can be beneficial to both the recipient not-for-profit organisation and the business (Harrington 2007). In regard to the involvement of corporations with the not-for-profit sector and program such as Ulysses, well-known lecturer and author Michael Porter sums it up well:

It is about creating a shared value—that is, a meaningful benefit for society that is also valuable for the business (2007, p. 5).

Another initiative that PwC is involved with is the Partners in Learning Program run by the Australian Business and Community Network (ABCN). This involves matching business leaders, one-on-one, with school principals who are facing complex challenges. Tony Harrington, CEO of PwC Australia, has stepped up and is involved in mentoring the Principal of Granville Boys High School in Sydney.

Volunteering opportunities also exist through partners such as Urban Seed, originally founded by Tim Costello before he moved to World Vision Australia as their CEO.
This charity works with marginalised individuals in Melbourne’s CBD. PwC has now moved from individual participation with Urban Seed to putting the full momentum of the firm behind its work to build sustainability and capacity. These programs bring considerable professional expertise to bear on a project or problem while simultaneously taking the business professional into fields that they may not normally be exposed to, with the potential for considerable emotional and social development.

It is now being acknowledged by more and more businesses that this then flows back into the business with long-term sustainable benefits, such as more creative and innovative thinking and a broader perspective on all strata of society (Doogue, 2007; Tracey, 2007; Traill 2007—research interviews).

There is growing evidence that organisations that embrace responsible business as a core strategic priority are also those that innovate, develop new products and services, across new markets and retain a more diverse and talented workforce and are better placed to minimise risk (Harrington, 2007, p. 6).

There are five principal channels through which PwC staff can participate in supporting the not-for-profit sector. These are:

1. PwC People Giving—workplace giving;
2. PwC in the Community—team-based volunteering;
3. PwC Foundation Trust;
4. Pro bono and directorships;
5. Education and technology.

PwC’s matched-giving program for staff, launched in 2002, is one in which each dollar donated will be matched by the firm. There is no individual limit; however, the overall project has a maximum budget. Currently 26% of staff are now involved in recurring financial giving to charitable partners. As regards volunteering, an amazing 48% of all staff now participate in community activities. Many senior partners have taken up board positions in charitable organisations, Tony Harrington included. Mentoring forms another important aspect to PwC’s giving agenda. One such program, known as Elevate, is run by Mission Australia. In PwC’s case it involves matching up 15 young people in Melbourne and 15 in Sydney with 30 achieving leaders within the firm in a year-long mentoring program.

Pro bono work for not-for-profit organisations is another area that PwC are heavily involved in, but they have a somewhat different approach to some other corporations as regards this method of giving. This tends to follow the principle of joint funding and joint participation.

One model for some projects or activities involves PwC discounting its professional fees by around a third with the balance being met equally by the PwC Foundation and the not-for-profit organisation. It is felt that this puts donor and recipient on a more even footing and addresses any potential issues with imbalance of power (Moors, 2007, research interview). Some projects of course are funded by straight donations, such as the PwC Foundation’s recent donation of $A10,000 to the Red Cross to fund two Good Start Breakfast Club projects at two Melbourne Primary Schools.

This initiative is designed to help address the widespread issue many children, particularly from poorer family backgrounds, attending school not having eaten anything that morning.
This inevitably leads to hungry, disorganized and irritable kids who—more than being unwilling to learn—are simply unable to (PwC, 2007 p. 17).

This particular donation came specifically from funds raised by the Foundation from sales of tea and coffee from their Foundation Café in the foyer of PwC’s Melbourne offices, whereby 40 cents was donated from every cup sold.

4.4.5.1 Conclusion
PwC would appear to have a dual motivation in supporting the not-for-profit sector. They fervently believe, from the Global CEO down, that as a powerful and influential international business they must be mindful of their place in this world and appear to feel a sense of obligation to contribute to a more equitable society.

Equally they are aware that to do so will bring benefits for the firm and its equity partners. They have become acutely aware of the positive effect on building their bank of social capital and the positive impact on potential and incumbent staff as regards attracting and retaining the best people possible. In this respect they are probably ahead of most other large companies in Australia and have the highest offer-to-acceptance ratio of any professional services firm in Australia (Moors, 2007, research interview). These internal benefits appear to be far more important to PwC than perhaps the reputational imperatives of more consumer-based companies (Moors, 2007, research interview).

However, external perceptions will still influence the level of interest in joining the firm. In March of 2008 a claim lodged by the firm’s previously highest paid female executive, was settled out-of-court (Kontominas, 2008, p. 5). Incidents of this nature can work against a company’s reputation and therefore the support which PwC shows for the not-for-profit sector may well offset any potential reputational damage. PwC understand the value of earning the respect of their staff and have worked hard to ensure they are informed of the work of the Foundation and opportunities for giving and personal involvement. As such staff regularly receive updates and information on company initiatives (Gibbs, 2007, personal conversation) PwC monitor staff attitudes regularly via quarterly surveys and their approach would appear to be working:

The last survey results indicated that 95% of all staff surveyed at the end of 2006 believed PwC was a socially responsible firm (Moors, 2007, research interview).

4.5 Research Question 1: Why Do Australian Corporations Support the Not-for-Profit Sector?

The first question driving this study was “Why Do Australian Corporations Support the Not-for-Profit Sector?” Various viewpoints were forthcoming during the qualitative interviews, many of which surfaced again in the case study phase, along with new insights being gained. Asking the simple question “Why?” proved useful as despite the abundance of corporate social responsibility and corporate community investment material on company websites and produced in company reports there is little which addresses this question. The focus tends to be on “Where”, as in where the funds are being directed.
All companies in the case-study phase demonstrated that they give, but each does so in their own way for their own reasons. All engage in corporate social investment which at times takes place through formalised foundations, which channel financial contributions of a philanthropic nature to the charities which they support. Albeit BHP Billiton play down the idea that they give without tangible benefits for the corporation and spurn the use of the term philanthropy.

Referencing Table 3.1, contained in the Research Methodology (Chapter 3), the researcher placed the companies involved in the case study on this motivational continuum. This is shown as Table 4.7. Their positioning was based on their responses to interview questions, the material that they had provided the researcher specifically for the study, and also that publicly available. Although some of these “labels” are common across the companies studied, nevertheless each had its own emphasis or focus and each was quite clear about its motivation for supporting the not-for-profit sector and engaging with the community.

<table>
<thead>
<tr>
<th>Company</th>
<th>Motivational Continuum Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westpac</td>
<td>Strategic societal focus/enlightened self-interest</td>
</tr>
<tr>
<td>BHP Billiton</td>
<td>Strategic company focus/appeasement</td>
</tr>
<tr>
<td>Telstra</td>
<td>Strategic company focus</td>
</tr>
<tr>
<td>Bendigo Bank</td>
<td>Enlightened self-interest/strategic societal focus</td>
</tr>
<tr>
<td>PwC Foundation</td>
<td>Enlightened self-interest/strategic societal focus</td>
</tr>
</tbody>
</table>

Source: Developed for this study.

4.5.1 Westpac

Westpac’s core motivation was to reinvent and rebuild itself after a period of deep decline. Its issues in the 1990s were chronicled in the case study but reached a point where its very existence was threatened (S. Brown, 2007, research interview). This required new leadership and radical action to differentiate clearly the bank from its past. The path chosen was one of CSR, with corporate social investment a key plank in this strategy. Westpac has truly leveraged off this investment strategy with considerable success.

Notwithstanding this commercial imperative, Westpac has demonstrated over the last decade that it is serious about its continuing commitment to the society in which it operates; particularly as regards its environmental commitment which has now become virtually its key marketing message. Perhaps underlining its genuineness is the fact that not all its actions require a specific return on investment, as exemplified by its highly democratic matched-giving program, where employees are completely free to decide which charity their funds, and therefore those of the bank, are directed, with no report on outcomes required from the recipient. Many of the bank’s initiatives, such as writing an internet payment system for Mission Australia to facilitate greater ease of donating for members of the public, go virtually unheralded, again indicating that its motivation and giving is not all about reputation building outside the bank.

Although having commenced as an external strategy of building reputation and social capital outside the bank, Westpac have come to realise that this is a core reason why people choose to work there and why they stay (Morgan, 2007a). Hence staff attraction and staff retention have now become additional key motivations to the continuation of the bank’s social investment program. The development of the emotional and social intelligence of executives and staff through their involvement in these program is also now a strong motivator for the bank.
4.5.2 BHP Billiton
As the largest participant in corporate social investment program in Australia BHP Billiton is very clear on why it makes this investment. BHP Billiton does not portray itself as being altruistic. It believes that whatever funds are made available within the company for community engagement program should only be spent with a strong business case behind them and it does not like the term corporate philanthropy (Buckland, 2007, research interview). It demonstrated the most “no nonsense” approach of the five companies studied, perhaps characteristic of many decades spent in the tough industries of mining and oil exploration.

For BHP Billiton it is very much about gaining and maintaining a licence to operate (Buckland, 2007, research interview). It is aware of the sensitivity in society around mining operations and believes that it needs to do more than simply comply with the laws of each of the 25 countries in which it operates in order to open up new leases and to be permitted to keep mining. Where adverse publicity has been forthcoming, due to environmental issues or those of social displacement of local communities, the social investment becomes one of appeasement. In this sense, the motivation could also be described as “risk mitigation” through building social capital. Notwithstanding the company’s motivation of self-gain for its involvement in these program, it does in turn produce great benefit for local communities:

We want to help ensure that the local community’s capacity and infrastructure is enriched and sustained beyond the current dependency on mining (O’Connell, 2006, p. 5).

4.5.3 Telstra
Telstra can also clearly enunciate why it participates in corporate social investment program and corporate philanthropy; and, in its case, this is about meeting the expectations of its stakeholders, primarily the shareholders (Simpson, 2007, research interview). Telstra has an unusual share registry in that its largest single shareholder is the Commonwealth Government through the Future Fund. Also given the Telstra sell-offs over the last few years it now has a huge number of small shareholders all scrutinizing its daily share price and overall performance.

With senior management often shrouded in controversy, the initiatives they undertake in this field are clearly designed to assist with public and market perception and build social capital. In this sense Telstra’s motivation can be considered as reputation building. There is a fairly clear line drawn between the funds invested by Telstra itself and those provided to charity partners by the Telstra Foundation, the latter engaging in more traditional philanthropic activity. However, both ultimately assist with the meeting of shareholder expectations.

4.5.4 Bendigo Bank
Bendigo Bank believes fervently in their statement that ‘a successful community makes a successful bank’. (De Araugo 2007, research interview) It displays a single-minded commitment to this philosophy, and the communities in which it operates, whose support then feeds back into its commercial success. The bank set out many years ago to own the term community, from a marketing perspective, and has succeeded (De Araugo, 2007, research interview). The bank is permeated with a sense of genuine desire to contribute to society. It appears to operate from the classic enlightened self-interest paradigm.
Like Westpac it has also now come to realise what powerful internal benefits occur via its enhanced ability to attract and retain staff. ‘It’s why people come to work’ (De Araugo, 2007, research interview). The program that its staff get involved with assist them with their personal growth and add to the bank of goodwill which they in turn feel toward their employer.

4.5.5 PricewaterhouseCoopers (PwC)

PwC is an interesting case as it was the only company not publicly listed and, as such, is less focused on externally building social capital as it has no shareholder interests to appease. To give, and at what level, becomes a decision for the equity partners who own the firm and the Board of the PwC Foundation, all of whom work at PwC with the exception of one external board member—a solicitor.

We purposely haven’t gone down that path of focusing on the commercial benefits …We haven’t wanted it to become a cynical exercise of “what’s in it for us?” (Moors, 2007, research interview).

PwC’s motivation is underpinned by a strong company ethos of supporting the societies in which it operates. However, it is also much linked to its experience and clear understanding that to engage in corporate social investment will allow it to attract the best staff and retain them longer. PwC sees its initiatives in this area as key to building a strong culture that matches the expectation of its young pool of employees, which has an average age of 27 (Moors, 2007, research interview). So in this sense its motivation is all about building social capital within the firm, developing a bank of goodwill, and meeting internal stakeholder expectations.

However, it operates in a financial services market along with other huge global firms, where ‘competition for the best and brightest is fierce’ (Kay, 2007, personal conversation). It would appear that increasingly values drive the choice of employer (Wright, 2006) and PwC believes that one of the key differentiators for staff when selecting a firm is its commitment to the not-for-profit sector provided through the PWC Foundation, which is its vehicle for giving. It is the only professional services firm to have established such a foundation; something highlighted in employment interviews.

4.5.6 Summary

The primary motivation of each case-study participant tended to be somewhat different depending on its history, own unique circumstances, and the industry in which it operated. The single greatest motivations ranged from Westpac—reputation rebuilding; Bendigo Bank—use of historical foundations to enhance market positioning further; PwC—employee benefits; BHP Billiton—licence to operate; and Telstra—meeting stakeholder/shareholder expectations.

The significant message that has come out of this study as regards motivation to support the not-for-profit sector is; to borrow a term from Paul Gilding, more likely to be about value creation than the moral imperative (Gilding et al, 2002a). The companies studied have realised the value to their shareholders and partners of building strong reputations and community support through social investment program. This change is matched by the not-for-profit sector itself with its attitude being less about “give me the money and go away” and more about partnering and sharing skills and networks in order to build capacity.
4.6 Research Question 2: Is This Relationship a Symbiotic One?

The second important question in the study was “Is This Relationship a Symbiotic One?” There would be little doubt that the recipient organisations gain benefits and that these flow on to those members of the community who rely on their support. Also, as we have seen, the motivation for donor corporations to engage is to gain benefits. However, are these being realised, that is to say, “is it a two-way street”?

They talk about the reduced costs, reduced turnover of staff, about investors who take an interest in these things. They talk about lower costs they speak about all these things as being consequences of management practices around this area (Longstaff, 2007, research interview).

… the concept of a moral corporation with a long-term view of the world and its place in the community, I think over time will out perform some of its economic objectives (Traill, 2007, research interview).

The exact amount of money, which each of these five companies invests or gives away each year, is not information publicly available and, in some cases, they were reluctant to speak of specific amounts. However, we know from the publicly available information on specific projects that it is significant. In BHP Billiton’s case, its current annual global budget is over $US100 million. In the main these are highly successful companies producing exceptional returns for their shareholders or partners and are characterised by astute managerial decision making and leadership.18

Hence it is not surprising to find that when the senior management of these corporations approve the expenditure of millions of dollars on community engagement, it turns out that they themselves benefit significantly. This was previously stated by virtually all those interviewed prior to the case studies and then reinforced by the five companies who participated.

It is now clearly understood that to give strategically in a planned and consistent manner with ‘rigour’ (Harrington, 2007) is a prudent business decision, validating the notion that the relationship between the profit makers and not-for-profit sector is indeed a symbiotic one. They both benefit, they both appear to need each other to function most effectively in the society which they both share, and involvement with each other is likely to increase. Rob Hogarth of KPMG adds: ‘We are looking at a shift in values for generations’ (Hogarth, 2008, p. 24).

As regards whether the growth of corporate involvement is a sound strategy or not, Barry Cusack, Chair, Corporate Community Involvement Reference Group, and Managing Director of BHP Billiton’s largest competitor Rio Tinto made this comment regarding the likely future trend:

Corporations do not see community partnerships as a passing management fad, but expect to see community involvement and stakeholder engagement intensify over the next few years (Cusack, 2000, pp. 61–62).

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18 This description may not necessarily be applied to Telstra by all market analysts or business observers.
4.6.1 Westpac
Westpac believes that the CSR platform that it has built, including its much-publicised environmental stance and social investment initiatives, has been a primary contributor to the bank’s growth and sound financial performance over the last decade. Its social capital and financial capital were at an all time low and through astute leadership and repositioning of the brand as one of Australia’s most socially responsible companies it has reversed this situation (S. Brown, 2007, research interview).

Westpac’s external benefits were quickly matched by internal ones as it discovered the benefits for managerial development, and the development of teams, when staff participated in projects in conjunction with the bank’s not-for-profit partners. The fact that each General Manager is required to participate, with his or her team, in two social projects per year, demonstrates Westpac has a strong belief in the power of these program to facilitate personal transformation for its senior management and staff, and many powerful personal stories now exist within the bank. It surveys its staff regularly and continually finds that its social investment and philanthropic activities rate highly on the scale of reasons put forward as to why people joined the bank and why they stay (S. Brown 2007, research interview).

4.6.2 BHP Billiton
BHP Billiton is very clear on why it engages in community investment and what it expects to get in return. It gives to earn a licence to operate within those communities where minerals or oil are discovered, and believes that its substantial and continuing on-going commitment to community investment is a significant contributor to the granting of this licence. This includes being viewed favourably by regulators such as the Environmental Protection Authority (Buckland, 2007, research interview). Although there is no empirical evidence to verify the link the fact that BHP Billiton gives at the level it does, more than $US100 million in 2007, suggests that the Board are convinced of the connection (Buckland, 2007, research interview).

Given BHP’s strong presence in the communities in which it operates, often being the dominant employer, the investment in the community is often an investment in its own employees. In this sense it derives benefits of increased employee loyalty and satisfaction. This also pays dividends for BHP Billiton in a tight and very competitive labour market where, as we have seen throughout the case studies, many potential recruits are now asking what level of community investment a prospective employer is making. In the case of someone contemplating moving to a remote mining community, this may have a direct bearing on the standard of living for themselves and their families for the period of their employment in that community. In regard to the company’s Pilbara initiatives:

We have not only delivered tangible services to our communities, but there is also increased satisfaction about living in and raising a family in Pilbara towns (O’Connell, 2006, p. 5).

With Australia currently enjoying one of its lowest periods of unemployment ever, along with a mining boom, labour shortages are impacting the mining industry more so than many other industries, making employees in this field very much sought after. In terms of the general goodwill generated within the community, this fosters an increased desire to work for the company, something which assists greatly with labour shortages, particularly in regional and remote areas.
Educational program for the community also assist in upskilling potential employees, and program aimed at promoting school attendance even build greater capacity within the community to generate a labour force for the future (Buckland, 2007, research interview).

4.6.3 Telstra
Telstra is also quite clear about the driver behind its significant community investment program and the philanthropic work of its Foundation. In this case it is to satisfy the expectations of stakeholders, principally shareholders, and Telstra believes that its initiatives benefit the company by achieving these objectives (Simpson, 2007, research interview).

There are certainly abundant anecdotes of staff getting involved in fundraising projects to support the community and the company itself responding with great speed during emergencies to meet community need. This produces goodwill for Telstra both internally with staff and externally with other stakeholders, especially its largest shareholder—the Australian Government—and also market analysts who constantly “take the community’s pulse” on how publicly listed companies are perceived.

Given the controversy often surrounding Telstra and its management team, and for what many market analysts and small investors has been a disappointing share price, it is extremely important for Telstra to rebuild its social capital. The company believes that to implement social and community program effectively has proven to be a valuable contributor to this and a successful strategy to restore its reputation and confidence in senior management. Its CSR strategies concerning social and environmental initiatives are two of these program and it is the intention of the company to continue to invest heavily in these areas (Simpson, 2007, research interview).

Again, the link is not easy to prove; however, it is clear that Telstra believes that the millions of dollars spent on community projects via the not-for-profit sector, or provided as technology and services directly from the company, is an investment that pays dividends both in terms of external reputation building and internal goodwill amongst staff.

4.6.4 Bendigo Bank
Bendigo Bank’s strong emphasis on community has gained them an enviable position as the bank in Australia which is most engaged with the communities in which it operates (De Araugo, 2007, research interview). It can enter a town in which it is seeking to establish a Bendigo or a Community Bank, call a public meeting, and have over 200 people attend. ‘No other bank can achieve this’ (De Araugo, 2007, research interview).

Bendigo Bank recognises the commercial benefits that accrue from this cycle of support for the community generating support for the bank. They become inextricably linked and each becomes stronger.

19 Motivations, outside of the corporation’s desire to support the community, or benefits derived from social investment or philanthropic program, do not tend to be printed in CSR reports. The research methodology of face-to-face interviewing was designed to probe more deeply into this aspect of the study, however, the fact that the nominated Telstra representative on social initiatives, Maria Simpson, was unable to meet face to face and the lack of time provided for the telephone research interview are likely to have hampered a fuller exploration.
The giving may be based on 150 years of historical community support and form the basis of the bank’s charter, but it has now become a highly effective commercial strategy that has driven growth and shareholder returns.

Bendigo Bank tends to shy away from any national publicity in connection with their charitable contributions and initiatives. There is no Bendigo Helicopter Rescue Service for instance, yet they gain significant kudos from within the communities in which they operate and drive strong commercial benefits from this. As with Westpac, this strong association with CSR has been a prime motivation for many of Bendigo’s staff to join the bank and to stay with the bank. CSR has now become a highly cost-effective recruitment strategy, producing significant benefits for the bank in a climate of extremely low unemployment (De Araugo, 2007, research interview).

4.6.5 PricewaterhouseCoopers (PwC)
The benefits that PwC primarily attains through its social investment and philanthropic activities concern their staff. It is a professional services firm that provides business consultancy and outsourced audit and accounting functions to other corporations. It has to add value to these clients or there is no point in the client organisation engaging them. As such it is vital PwC can attract and retain high-quality staff to work with its client base, as well as steer the future direction of the company.

The company can quote impressive statistics regarding the percentage of staff who were influenced by the firm’s commitment to supporting the community through the not-for-profit sector and claim the highest conversion rate of job offers to acceptances, again a fact which it attributes to these program (Moors, 2007, research interview).

PwC is also often required to tender for large contracts with both major corporate and government entities. Although no empirical evidence exists, Moors (2007, research interview) believes that as there is increasing questioning and scrutiny from those organisations issuing the tenders around competing firms’ CSR profiles, and that PwC’s strong credentials in this area undoubtedly assist it in winning additional business for the firm (Moors, 2007, research interview).

4.6.6 Summary
Not unlike the outcomes reported from overseas companies listed in Chapter Two—Literature Review—the benefits reported by these five Australian companies reflect tangible benefits across a broad range of areas. They reflect both external benefits in terms of reputation building and shareholder and regulator appeasement, all strong indicators of the growth of social capital for their businesses. Also internal staff benefits such as attracting higher calibre people, keeping them longer, and developing desirable higher social and emotional qualities in management and participating staff members through their involvement with not-for-profit partners are also reported.

Although no companies have seemingly been able to quantify absolutely the financial return on investment, they can justify participation via a broad business case. This is not unlike the millions of dollars spent on marketing each year, especially brand awareness, where the specific return on investment is difficult to verify.20

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20 The old maxim of “50% of all marketing dollars are wasted. We just don’t know which 50%” comes to mind—source unknown.
The hundreds of millions of dollars invested in the community by Australian companies, and the fact that this amount is growing substantially every year (Centre for Corporate Public Affairs, 2007), would suggest that this investment is a commercially prudent one as well as being laudable from a moral perspective.

The key benefits experienced by the case-study participants are summarised in Table 4.8.

<table>
<thead>
<tr>
<th>Company</th>
<th>Key Benefit Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westpac</td>
<td>Reputation building, brand repositioning, staff attraction/retention, managerial and staff development</td>
</tr>
<tr>
<td>BHP Billiton</td>
<td>Licence to operate, acceptance by regulators, source of new staff, direct benefits for own staff in remote communities</td>
</tr>
<tr>
<td>Telstra</td>
<td>Acceptance by stakeholders, including shareholders and regulators, reputation and goodwill building</td>
</tr>
<tr>
<td>Bendigo Bank</td>
<td>Market differentiation, brand becoming synonymous with “community”, entry to new markets, staff attraction/retention</td>
</tr>
<tr>
<td>PwC</td>
<td>Staff attraction/retention, potential contract wins</td>
</tr>
</tbody>
</table>

Source: Developed for this study.

The ethos advanced by Noel Purcell, former head of Westpac's CSR area, that ‘doing the right thing is inherently good business’ (Purcell, 2007), is now firmly established in most large companies in Australia. During his tenue as CEO of Westpac, David Morgan, was very clear and very public about how fundamental this aspect of business is in his view for the modern corporation: ‘Corporate social responsibility is simply about good management’ (Gettler, 2005, p. 2). The CEOs of all case-study participants concur and actively drive this agenda.

There does not need to be government intervention or regulation around this field. There does not have to be community agitation. The astute management of Australia’s large corporations today have realised that to support the communities in which they operate and from which they draw their wealth is fundamentally good business practice and that it will be rewarded by those stakeholders who interact with them. The driving force behind corporate giving, approved by hard-headed board members and CEOs, would now appear to be enlightened self-interest rather than the moral imperative.

The experiences of Westpac, BHP Billiton, Telstra, Bendigo Bank, and PricewaterhouseCoopers only serve to reinforce that the alignment of economic and social goals through corporate social investment program is not only possible but highly beneficial to both parties.
Chapter 5: Conclusion

The most interesting intersections lie between heart and soul, between passion and values, and between what we believe and feel, and what we say and do (Karoff and Maddox, 2007, p. 71).

Corporates are the real generators of wealth. They create the jobs, the economic opportunities and the markets. We cannot win a war on poverty—in Australia or beyond our shores—without the drive, innovation and problem solving of businesses (Costello, 2007, p. 7).

5.1 Introduction

The preliminary insights of the ten interviewees, the interviews undertaken as part of the case-study phase, along with information and data gathered from company social responsibility reports, have shed considerable light on the research questions that formed the basis of this study:

1. Why do Australian corporations support the not-for-profit sector?
2. Is this relationship a symbiotic one?
3. How can the relationship between the corporate sector and not-for-profit sector be enhanced?

Corporate motivations and symbiotic benefits were dealt with in Chapter 4. However, it was felt appropriate to leave the discussion regarding enhancement of relationships to the concluding chapter, as it is these insights that can perhaps be of greatest benefit and contribute most to this field by way of practical outcomes for the future. These appear as section 5.2 within this chapter.

However, prior to concluding with this discussion it was felt important at this point to deal with one view that has for many years defined the debate on corporate social investment; the view that profit makers should not engage with the not-for-profit sector. This view was held to be particularly important where the company was a publicly listed one.

A "stake in the ground" had been set in 2001 at the launch of the Asia Pacific Centre for Philanthropy and Social Investment when Stan Mather, a Director of the Australian Shareholders’ Association (ASA), made his defining statement condemning the flow of any funds, deemed to belong to shareholders, to the not-for-profit sector:

The directors of companies are appointed by shareholders to make money for shareholders, not to donate it to other people. Companies should not be deciding what to do with shareholders’ money. They should return as much of it as possible to the shareholders and let them decide what to do with it (Tracey, 2003, p. 22).

This ‘Friedmanite’ view (Friedman, 1979) is counter to the concept of corporate community investment and suggests that this practise is an irresponsible use of company funds. The argument advanced is that these funds should be distributed to shareholders, as increased dividends, and that for a publicly listed company to engage in philanthropic activities is nothing more than shareholder theft.
This view, concerning shareholder rights, was also heavily promoted by the Institute of Public Affairs, here in Australia:

> The owners have an exclusive moral claim to the benefits produced by their activities, as others have a moral claim for the benefits produced by their labour or other contracted services (Johns, 2003, p. 4).

One of the interesting aspects of the initial interviews was the opportunity to meet with the current CEO of the Australian Shareholders Association, Stuart Wilson. He was able to chronicle the change of policy position of his organisation from the late 2001 statement by ASA Director, Stan Mather, to their position as at the close of 2004, which was made public by the then Chairman. The Association’s policy had shifted somewhat and now stated that community giving was deemed to be appropriate in certain circumstances, but needed to be linked to commercial opportunities within those markets that funds were channelled to.

The interview, undertaken as a part of this study, revealed that, post-Tsunami, although not widely publicised, the policy had moved to the ASA accepting that corporations had an important role to play in supporting the work of the not-for-profit sector. Of significance was Stuart Wilson’s clarification of this policy, during the interview, to include support offered ‘anywhere in the world’ irrespective of whether a link to commercial returns had been established (Wilson, 2007b, research interview).

Although Dick Smith, another of the interviewees, expressed the view that ‘I can’t imagine that a big company will also have an obligation to donate to charity’ (Smith, 2007, research interview), the view of others interviewed was that this obligation now formed a part of the role of a profit maker in society, expressed in the following terms by Michael Traill:

> … the idea of a sharp separation between a primary responsibility to the shareholders, and the community, has never really made a lot of sense to me, certainly never made sense at a moral level (Traill, 2007, research interview).

Whereas previously the ASA supported the Friedmanite view, that support for the not-for-profit sector lacked fiscal responsibility, its policy now is very supportive of the participation by Australian publicly listed companies in corporate social investment programs.

The contemporary views of the commentators interviewed provided an external, or outsiders, view of the role of the corporation and provided a foundation for the rest of the study. The corporate case studies gave an insight into the drivers and perceptions from within the organisations that already participated in these programs. The structure of the study provided an opportunity to compare and analyse the views of the previously interviewed social commentators, senior managers, entrepreneurs, academics, and participants in the not-for-profit world with the reality of what was taking place in five large Australian corporations.

The study demonstrated that the questions of why companies gave support in the form of finances, resources, staff time, managerial expertise, etc, and whether there were benefits in return, were closely linked. The study involved five of the most active, and in some cases, largest corporate donors in Australia and each was able to articulate its motivations to give and the benefits it received in return from channelling this support to those in need through not-for-profit partnerships.
Primary motivations that led each company initially to embark on social investment programs and then to maintain and build on these were varied. The study demonstrated that the questions of why companies gave support in the form of finances, resources, staff time, managerial expertise, etc, and whether there were benefits in return, were closely linked. The study involved five of the most active, and in some cases, largest corporate donors in Australia and each was able to articulate its motivations to give and the benefits it received in return from channelling this support to those in need through not-for-profit partnerships.

Despite a long history of charitable giving, Bendigo Bank now sees close links with the communities in which it operates as giving it a key point of differentiation from its competitors. In the case of PwC it sees its involvement in social investment programs as giving itself a distinct advantage in attracting and retaining staff.

BHP Billiton appreciate that at times its mining activities will be seen as controversial in terms of the disruption to local communities, and as regards the potential for environmental degradation, and it sees the channelling of financial support and provision of other resources into community projects as facilitating support for its commercial activities from those same communities as well as government regulators.

Telstra believes that there is a societal expectation that it engages in support for the community outside the normal benefits that it brings through the provision of employment and the payment of taxes, and seeks to live up to this expectation. The company also seeks favourable attitudes and perceptions from shareholders, including the Federal Government, and believes that meeting the expectations of these stakeholders as regards community investment can have positive business outcomes.

The benefits experienced as a result of participation in community social investment programs were varied. They ranged across areas such as enhanced reputation and the accumulation of social capital in the case of Westpac; facilitation of entry to new markets for Bendigo Bank; enhanced ability to attract the best and brightest staff for PwC; obtaining a license to operate, i.e. explore and mine, for BHP Billiton; and goodwill building and enhanced shareholder acceptance for Telstra. While some benefits tended to be externally focused, all case-study participants also emphasised the considerable value in terms of staff retention, staff pride in their employer, personal development of staff who actively participated in social programs, and, in general, an enhanced corporate culture.

These companies did not necessarily want to promote the concept that their motivation to give is driven by the knowledge that there will be a return on investment; however, the tangible benefits experienced no doubt help to build the business case for continuing with and increasing their involvement in this field.

5.2 Research Question 3: How Can the Relationship Between the Corporate Sector and Not-for-Profit Sector be Enhanced?

The positive experiences of the companies investigated in the case studies would appear to be a significant reason as to why a profit-making company would engage with the not-for-profit sector. There would appear to be tangible benefits in doing so that address areas of genuine need for large corporates and explain why participation in social investment programs is on the increase.
However, what lessons have been learnt about the process of engagement and the creation of successful on-going relationships, and can these be applied to other companies who are perhaps only just starting to move into this field?

Most companies today recognise that they have multiple stakeholder relationships to manage and that these can not be ignored when considering what approach to take when developing corporate social investment practices. Leeora Black, Managing Director of the Australian Centre for Corporate Social Responsibility, writing in *New Zealand Management*, puts forward some important advice from her years of experience:

‘…corporate social responsibility program and initiatives work best when they are developed using a multi-sector approach. Businesses need to work with a range of stakeholders including government, investors and non-governmental organisations—they are interdependent and cannot act in isolation’ (2007b, p. 19).

This next section summarises the advice given by commentators and participants, as well as specifying the skill sets that both sides can share, along with some suggestions for not-for-profits when approaching the corporate sector.

### 5.2.1 Relationship Advice

The corporate and not-for-profit sectors are moving closer together and, as we have seen, in certain ways are now actually dependent on each other for maximum effectiveness. Various people throughout this study contributed their thoughts on what is most important in this relationship and how this process of engagement might be enhanced. The level of contribution to this area of the study was dependent to some extent on the background and current role of the individual contributing.

A compilation of factors considered critical to the success of a corporate/not-for-profit philanthropic or social investment relationship has been created. Not every interviewee mentioned every factor however in many cases multiple points listed below were raised by single individuals and some interviewees were more passionate about the importance of a particular factor over others.

The advice offered up by participants as best reflecting the twenty most important key success factors of any relationship are shown below. No ranking of importance or frequency with which these points were raised is inferred by the order that they are listed.

1. The role of the leader is critical.
2. The choice of partners is vitally important.
3. The choice of projects is critical.
4. Genuine motivation is essential.
5. Be clear on one’s motivation.
6. Learn what each other’s needs are.
7. Agree mutual goals, confirm regularly, and make a long-term commitment.
8. A partnership mentality needs to be developed.
9. An exit strategy needs to be developed.
10. A balance of power has to be maintained.
11. The provision of non-financial contributions such as core skills, influence, and technology, need to be valued.
12. Cross-fertilisation of ideas should be fostered.
13. Not-for-profits can adopt business skills from profit makers.
14. Profit makers can learn from the skills of not-for-profits.
15. Hiring executives with experience in the opposite sector can be valuable.
16. The term “investor” instead of “donor” should be reinforced.
17. Ideally heart and mind, on both sides, should be integrated.
18. Social responsibility needs to be integrated into the fabric of the organisation.
19. Trust each other.
20. Share your knowledge with others.

Some corporations have developed considerable expertise in working with the not-for-profit sector and one of the most encouraging points to emerge from the study was the willingness to share this with other companies, even competitors (S. Brown, 2007; De Araugo, 2007; Moors, 2007—research interviews). This redefines what we normally consider to be the rules of engagement in the business world, where a company previously acted in an adversarial and at times even predatory manner. This is just one example of how involvement with the not-for-profit sector can elevate business to a new level and a new way of thinking. The beauty of this type of engagement is that it does not require the sacrifice of profit motives or goals. Lyn Swinburne, Founder and CEO of the Breast Cancer Network of Australia, expressed this well:

> What is important is that it really has to come from a genuine place but that doesn’t mean that that can’t be a commercial place as well (Swinburne, 2007, research interview).

Samantha Brown from Westpac is very experienced in the field of community engagement, heading up this area for a company that is amongst one of the finest examples of an organisation that engages with the not-for-profit sector and that sector’s “clients” with genuine commitment. She described that ‘at times I feel more like someone working for the not-for-profit sector than the corporate sector’ (Brown 2007, research interview). She is also very active in taking calls and speaking at seminars and workshops, even involving competitors, to promote the concept of corporate support for the not-for-profits and the communities which they serve. The Westpac corporate culture as a whole tends to reflect this attitude of sharing in order that this field might progress and thrive.

> It’s about doing the due diligence. Determining what it is that you each want to achieve. It’s about shared common goals. It’s about strong and clear communication, about sharing the good, the bad and the ugly. One of the most important elements is a genuine commitment. You have to clear up any possible misconceptions before you start (Brown, 2007, research interview).

She provided a good summary of what she believed were the key points for a successful relationship:

Firstly, her advice to corporates:

1. Set improvement goals to keep improving the success of the project and the relationship.
2. Survey your partner to see how they rate you.
3. Don’t just pick the big ones.
Secondly, her advice to not-for-profits:

1. Package your offering to make it easy for the corporate to engage with you.
2. Understand what the core problems are for the corporate in their business e.g. in the case of Westpac; staff leaving.
3. Don’t just offer the use of your logo (Westpac would never be interested in this).

The advice provided by the initial interviewees and those within the case studies has not been "rocket science". The comments are commonsense ones and yet cannot be over looked in building a strong foundation and to the on-going maintenance of a successful partnership. In scanning these points one gets a strong sense that collaboration and equality is vital in these partnerships. Complex, yet not necessarily complicated, partnerships that involve much more than just the transfer of monetary capital. The importance of intention, the right mindset, and genuineness is apparent, as is the requirement for professionalism in execution.

5.2.2 Sharing Skills

Businesses can be powerful generators of social value because of their distinctive sets of competencies and resources (Wei-Skillern, 2008, www.hbskw.hbs.edu—accessed 10 February 2008). Both sectors have built up considerable skill in operating effectively within their own domains. They are different beasts, one driven by profit motives and one by service delivery targeted at the alleviation of suffering and the building of capacity within the individuals and communities who are their clients. These two diverse groups have developed a range of skills that, if shared, can, perhaps ironically, significantly benefit each other. Some of these are shown in Table 5.1.

<table>
<thead>
<tr>
<th>Corporate Skill Set</th>
<th>Benefit to Not-for-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong commercial focus</td>
<td>Financial growth and stability</td>
</tr>
<tr>
<td>Short-term results focus</td>
<td>May be necessary and appropriate at times</td>
</tr>
<tr>
<td>Managerial expertise</td>
<td>Knowledge, experience, and potential pro bono assistance</td>
</tr>
<tr>
<td>Negotiating ability</td>
<td>Secure better outcomes for the organisation</td>
</tr>
<tr>
<td>Marketing strategies</td>
<td>Knowledge facilitating growth of public awareness</td>
</tr>
<tr>
<td>Sophisticated PR strategies</td>
<td>Potentially valuable contacts in press / media</td>
</tr>
<tr>
<td>Strong networks</td>
<td>Tap into to secure increased support</td>
</tr>
<tr>
<td>Technology infrastructure</td>
<td>Share knowledge and potentially even infrastructure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Not-for-Profit Skill Set</th>
<th>Benefit to Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong societal focus</td>
<td>Growth of genuine respect from domain</td>
</tr>
<tr>
<td>Tireless long-term focus</td>
<td>Ability not to lose focus during adverse cycles</td>
</tr>
<tr>
<td>Staff commitment</td>
<td>Experience in maximising employee contributions</td>
</tr>
<tr>
<td>Ability to influence</td>
<td>Knowledge and skills to achieve outcomes</td>
</tr>
<tr>
<td>Unsophisticated PR strategies</td>
<td>Ability to attract genuine prestige without “spin”</td>
</tr>
<tr>
<td>Marketing strategies</td>
<td>Ability to operate effectively on shoe-string budgets</td>
</tr>
<tr>
<td>Strong networks</td>
<td>Potentially valuable contacts in government and Society</td>
</tr>
<tr>
<td>Maintenance of core values</td>
<td>Viewed by others as trustworthy and reliable</td>
</tr>
<tr>
<td>Maintenance of reputation</td>
<td>Brand management expertise</td>
</tr>
</tbody>
</table>

Source: Developed for this research.
The capacity to identify counterpart skill sets that are worth emulating, and then the resultant organisational learning and restructuring of processes around these skill sets, will form a critical aspect of future philanthropic relationships. This sharing of knowledge will strengthen the level of interest between these two sectors, whereas once a considerable divide may have existed given the different natures of the two types of organisations.

5.2.3 How to Approach the Corporate Sector

The hallmark of the profit makers tends to be commercial astuteness while those of the not-for-profit sector are genuineness, compassion, and commitment. How can these two sectors initially engage with each other? In the past it has been a one-way street; that is, the not-for-profits going cap in hand to the wealthy corporates. Interestingly there has been some reversal of this trend, with some charities now having to rationalise and prioritise their involvement with corporations in cases where offers to provide mentoring, coaching, and volunteering exceed the capacity of the charity to accommodate (Brown, 2007, research interview).

Notwithstanding this, there is still a strong requirement for charities to approach corporates for day-to-day funding or funding for specific projects. As regards the not-for-profits, the Economist.com points out that it is important that they do not compromise their own characteristics yet at the same time need to ‘become more like them,’—i.e. more like the corporates (www.economist.com, 2006a—accessed 23 February 2006). This is particularly true with the corporates demanding ever-increasing professionalism from the other sector (Zukowski, 1998; Traill, 2007, research interview).

Still today most approaches are made by telephone and with no formal proposal, limited knowledge of the company being approached, and certainly no business case prepared. The company’s website is the perfect place to start, yet generally this has not even been visited before contact is attempted (Moors, 2007, research interview). One important point in relation to the preparation of a business case is that ‘there is no single business case which suits all companies’ (Birch, 2005, p. 7). Therefore it is not good enough to develop a sales approach that simply describes one’s organisation and is not tailored to the needs of the prospective donor or partner.

However, it is understandable that the charitable sector is unlikely to be endowed with super salespeople, skilled in obtaining appointments and extracting funding from Australia’s corporations. As Dick Smith (2007, research interview) puts it:

… to get a person of that quality to work for a charitable organisation
will normally be very difficult. They’ll normally be one of the top sales
or marketing people at Coca Cola. So that’s the problem.

However, the skill of obtaining an appointment with a decision maker plus the ability to “sell” one’s proposition face to face, are necessary skills in any engagement process with today’s corporates. There are some simple principles that can be borrowed from the commercial world and used effectively just as it has been using them effectively for years. Although supporting a very worthwhile cause the not-for-profit representative is, nevertheless, essentially trying to sell something, albeit intangible. The basics of selling that can be applied just as effectively here include:
1. Adopt a consistent prospecting plan and a high call rate.
2. Research your prospect.
3. A face-to-face appointment is far better than a telephone conversation.
4. If at first you don’t succeed try, try, try again. Ask if it is appropriate to call back another time and diarise that time. Then call again.
5. Remember you are asking someone to give up their time, a highly prized commodity.
6. When attending an appointment, if the person seems distracted or too busy really to see you, despite having agreed to the appointment, show respect for their situation and offer to reschedule the appointment. You have just separated yourself from 90% of other “salespeople”.
7. Effective selling involves meeting the need of a prospective buyer with a product or service that fulfils that need. The first rule is: uncover a need!
8. This cannot be done by describing your product, or organisation, or the good work that you do. It can be done by asking questions and listening.
9. Resist the temptation to talk about you or your charity or your cause until you have uncovered several needs that you may be able to help with.\(^{21}\)
10. If needs are not forthcoming, probe by phrasing questions around areas that you know are problematic in other companies.
11. Do not jump in with your “solution”, still use questions. You have just separated yourself from 75% of other “salespeople”.
12. Once several needs have been uncovered build on what the implications of these needs might be if left unaddressed.
13. Then restate the need, confirm that a solution is desired and only then discuss involvement with your organisation as being of potential benefit.
14. If acknowledgement or interest is shown ask what the preferred next step is.
15. If commitment to further investigation is given then show gratitude, restate that commitment, document it, and fulfil all commitments entered into from your side as soon as possible.
16. Email immediately upon returning to your office to thank the person for their time and confirming the next step agreed to.
17. Maintain this level of total professionalism at all times.

Source: Developed for this study.

To get some idea of how to apply the principles of commercial selling once face to face with a prospective corporate partner, one small, abbreviated role-play may assist. There are many scenarios however one possible interaction may go something like this—on a good day:

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\(^{21}\) If you ask most people who are not involved in sales what they think equips a person for a career in this field they are likely to answer along the lines of “gift of the gab”. Ironically, the top salespeople are great questioners, great listeners, and above all know when not to speak. There is an old sales maxim which was shared with the researcher on his first day in sales at Xerox in 1980. It is, “God gave you two ears and one mouth. Use them in that proportion”.  

Charity: Thank you very much for taking the time to see me.
Corporate: Yes, well I don’t have long, what is it you want?
Charity: I appreciate how busy you are and I’ll be brief. Before I start, however, I have spent some time on your website but I would be very appreciative if you could just give me a brief overview of your own current objectives for the company.
Corporate: Growth, expansion of market share, increased profitability, and shareholder returns etc. etc.
Charity: May I ask what will be the main avenues through which you’ll achieve these?
Corporate: More advertising, more branches, more staff.
Charity: Do you see any significant obstacles to meeting your objectives?
Corporate: No.
Charity: I’ve noticed in the press lately a lot of talk about the difficulty that a lot of companies are having in attracting and retaining good staff. Is this an issue for you at all?
Corporate: Of course. We have the lowest unemployment in Australia for decades so it’s hard to get good people, plus staff just don’t seem to show their employer any loyalty any more, hence the turnover for every company these days is high.
Charity: If I were able to demonstrate a strategy to you, used by some of the largest companies in Australia, that has been shown to increase staff attraction and retention rates, would you be interested in hearing about it?
Corporate: Sure.
Charity: Blah, blah, blah. Do you think that this program may have some application within your organisation?
Corporate: I’d be interested in looking further into it.
Charity: Thank you, when would you like to schedule a subsequent appointment for a full presentation?

5.3 Conclusion

This study has focused on the gathering of knowledge and information to help explain the decision for two diverse sectors of society to engage with one another. The cases studied were selected to highlight successful examples of corporate social investment, such that others may follow. To this extent it was felt necessary to promote tangible cases of large profit-making corporations, driven largely by “right-brain thinking”, companies and their decision makers who had paused; considered; and decided to do things differently.

This study has provided insights into what drives the motivation of these corporations and why the pace of social investment is gaining momentum. Also insights into the future of corporate/not-for-profit relationships, indicating the likely increase in participation rates in Australia.

... I see this as the perfect storm gathering in a way that I haven’t in all my years of doing not-for-profit work, of sitting on boards. I promise you I have not seen the conditions in corporations that I’m seeing now (Doogue, 2007, research interview).
As a result of the information gathered throughout the study we have also seen a range of tangible benefits that accrue to the giver, even if in some cases the gaining of these benefits is not the primary motivation for giving. The question whether the relationship between giver and receiver is a symbiotic one has surely been answered. Finally, participants shared their personal thoughts, observations, and experiences to assist others who may also wish to develop social investment programs and links with the not-for-profit sector. In many companies these relationships may be well established but in others the possibility has barely been considered, despite the considerable needs which exist within those organisations; needs which may well be mitigated by involvement with the not-for-profit sector.

Need is exists across the not-for-profit partners and communities which they serve as well. Given the immense challenges facing society today perhaps a radical approach is required involving the goodwill, skills, and creativity of businesses everywhere to build capacity in communities and alleviate suffering. Perhaps as a society we need to engage in a more radical form of philanthropy that extends beyond the current level of giving and with far greater levels of participation (Samson, 1996).

The size of donations from people like Bill and Melinda Gates and Warren Buffet qualify as being a form of radical philanthropy. Also closer to home, mining magnate and philanthropist Andrew Forrest, who in December of 2007 became Australia’s richest man (Main, 2007), or US billionaire Chuck Feeney who came to Brisbane, fell in love with it and hasn’t stopped giving since (Tooth, 2004). In inflationary adjusted dollars Buffet has pledged to give away twice as much as the legendary philanthropists of a century ago, Rockefeller and Carnegie (Singer, 2006). Interestingly in June of 2008 Bill Gates announced that he was leaving Microsoft the company he co-founded to concentrate full time on philanthropic work through the Bill and Melinda Gates Foundation (www.Forbes.com) – accessed 23-06-08.

However, these corporate giants who have given generously must now be joined by more business leaders and more corporations, which need to get involved for a true philanthropic-led social revolution to occur. There is surely enough positive evidence emerging now that it would not be unrealistic to expect all corporations routinely to budget annually for expenditure on social investment programs, whether motivated by a sense of obligation, pure altruism or a desire for mutual benefit.

During the course of this study an election was held to establish who would become the Federal Government of Australia for the next three years. Any election is an opportunity for voters to have their say and express disapproval with the way their nation has been governed. In November 2007 the Australian nation spoke, with a resounding rejection of the Howard government. With economic times having never been better the Prime Minister had every right to feel that he would be given another term in government, but this was not to be. Some believe that one of the key reasons is that economic management took a back seat at this election and that in this time of prosperity voters could afford to think of issues beyond their own economic survival. One of those is noted social researcher Hugh Mackay:

While some apologists for the coalition would have you believe the recent federal election result was merely a case of the “it’s time factor” … the truth is quite different. This was the election when morality eclipsed economics as a central issue (Mackay, 2007, p. 3).

The recent change of government in Australia signified a true shift by the people of Australia (Mackay, 2007, p. 3).
Mackay further states that ‘the nature of the mood-shift is captured beautifully by the following extract from a speech by US Attorney General Robert F. Kennedy just three months before his assassination’ (Mackay, 2007, p. 3):

Gross national product … measures neither the health of our children, the quality of their education, nor the joy of their play. It measures neither the beauty of our poetry, nor the strength of our marriages. It pays no heed to the intelligence of our public debate or the integrity of our public officials. It measures neither our wisdom nor our learning, neither our wit nor our courage, neither our compassion nor our devotion to our country. It measures everything, in short, except that which makes life worth living, and it can tell us everything about our country except those things that make us proud to be a part of it (Kennedy, 1968, p. 3).

The opportunities now for true governmental reform, including the creation of a strong platform for corporate social responsibility and corporate social investment, have never been greater. It is now time for government to implement frameworks that encourage greater giving and facilitate rather than impede it (Petch, 2007, research interview).

The Rudd Labor government brings a stronger intellectual grasp of corporate responsibility issues than its predecessor and it has plenty of talent to make its vision a reality… (Black, 2007, p. 1).

It is also now time for more corporations to develop strategies around social investment and for more of these programs to take place. It is also time for further change within the service delivery partners. These potential not-for-profit partners need to become more professional and to adopt many of the commercial practices of the corporations that they seek funding from in order to realise the full potential for corporate support. Michael Traill perhaps knows this better than anyone. He is an ex-Macquarie banker whose organisation, Social Ventures Australia, sits between the corporate world and the not-for-profit projects that it obtains funding for. He is an advocate for change:

In the same way as with the commercial world there is this process of innovation and creative destruction where a new company with new technology moves in to replace something that's been there before. I think the same logic applies in this sector. There are new ways of doing things and ideas that can be replicated and should be encouraged (Traill, 2007, research interview).

The work of the not-for-profit sector is about change, positive change. Considerable courage is required to move beyond present models that will often involve, what Traill has called, ‘creative destruction’. (2007, research interview). Expressed in Eastern terms, three forces are said to pervade life: creation, preservation, and destruction (Maharishi, 1967). All three can be positive: creation leading to fresh and innovative situations, preservation to the continuation of that which is worth maintaining and building on, and lastly the destruction of old structures and practices which need to be torn down to make way for new growth. The process of change requires resources, time, and energy and the growth of the successful engagement between the two sectors is no different. However, philanthropy itself, in its various forms, is the resource with the least restraints. (Karoff and Maddox, 2007) After all, it’s only goodwill and capital; and the world is full of both.
Philanthropy is one of the most powerful, and potentially abundant, mechanisms for positive change that exists in the world today. However, we continue to see philanthropic gestures flowing into safe projects that do not necessarily seek to drive change and innovation. In a report published in 2002 a survey of foundations in the United States (Elgin et al, 2002) found that 95% of funding was directed toward activities that were either:

1. Amelioration—lessening suffering within existing systems;
2. Adaptation—adjusting current systems;
3. Restoration—returning things to their original condition.

There is a need for a great deal more transformational philanthropy. (Elgin et al, 2002) This is the unrealised potential of philanthropy. Rather than focusing on maintaining what we have, the world requires greater courage, creativity and innovation. The challenges of maximising the effectiveness of the efforts and resources applied to solving many of the social issues prevalent in the community today apply both to corporates and to not-for-profits. There are old structures that need to be torn down and new ways and initiatives developed.

One of the new approaches being advocated by a group of professors at Harvard Business School is that of “social entrepreneurship” involving the not-for-profit service delivery partner, businesses, and government agencies working closely together in cross-organisational alliances.

Traditional approaches are falling short, especially as the intensity and complexity of social problems has grown (Wei-Skillern, 2008, www.hbskw.hbs.edu—accessed 10 February 2008).

This challenge cannot be overcome through incremental change in existing activities. Instead it requires a fundamental transformation in the way that companies do business. It entails identifying new opportunities, creating new strategies, and establishing the structures and processes needed to pursue them (Wei-Skillern, 2008, www.hbskw.hbs.edu—accessed 10 February 2008).

These new approaches apply both to the giver of resources and to the recipient organisations that they support, with both benefiting. Corporate funds and resources flowing into the community, via not-for-profit partnerships, must benefit the recipients. However, equally, if not in greater measure, is the transformation that can occur for those giving and actively participating. Collaborative research from Harvard Business School and the University of Columbia has demonstrated what most of us intuitively knew to be true already. That is, that although money may not be able to buy happiness, spending it on someone else leads to increased well being for the giver (Norton, Dunn & Aknin, 2008).

In this study we have seen examples of where the giving of time and resources has changed lives and changed companies. In reference to the involvement of Westpac executives in the company’s initiatives in the Gulf of Carpentaria it was stated that: ‘You could see the development that they had experienced when they came back. You could see it on their faces’ (Vaghjiani, 2007, research discussion). In regard to the broader effect on the company: ‘You can feel it in the company’. (S. Brown, 2007, research interview). It would appear at both an individual level and a corporate one, significant gains accrue to those who give.
We have observed that corporate giving does not have to be driven by pure altruism, even though there is plenty of this in evidence particularly in many of the foundations where no return is sought. Giving can equally take a form that can withstand the scrutiny of a tough CEO or Board, who want to know in advance that there is a high probability of a bottom-line return on investment. We have seen that there are tangible rewards for the philanthropic corporation and its staff, which all serve to contribute toward the long-term sustainability of the business as a whole. These were not just evidenced in the case studies but also experienced in other companies as reported by the interviewees in the earlier qualitative interview phase (Traill, 2007, research interview).

It would seem that any debate about whether social investment is beneficial for a corporation that provides funding or resources has been somewhat eclipsed by the wealth of positive experiences from overseas and in recent years from the Australian corporate landscape. It is now simply a matter of whether an organisation wishes to choose this mechanism as a key contributor to its sustainability strategy, knowing that it will receive a multiple return on its investment due to building capacity within itself as well as simultaneously within its not-for-profit partners and in turn in the community as a whole. The debate, if in fact one still exists, no longer needs to be driven by the moral imperative any more, it is about corporate sustainability.

There is a very powerful business case for companies to consider becoming more involved in sustainable development, which, simply stated, will position a company to engage more fully in its communities. In turn, this creates a positive reputation for the company which in turn, as many studies have shown, will enable a continuing and growing return on shareholder value (Birch, 2005, p. 6).

To capitalise fully on this development the not-for-profits need to continue developing skill in engaging effectively with the profit makers. Once a sustainable relationship is formed the two then become a powerful force for social change which can transform the world.

In life much of our motivation to act is experientially based. It comes from the confidence we gain from a successful endeavour. Any company can start, no matter in how small a way, even with a pilot project aimed at producing positive outcomes within the local community in which it operates. And whether we are a visionary corporate leader, an employee with a good heart, or someone outside the corporate domain altogether who simply wants to live in a fairer more equitable world, the bottom line is that it all starts with us.

We ourselves feel that what we are doing is just a drop in the ocean, but the ocean would be less because of that missing drop - Mother Theresa

Be the change you want to see - Mahatma Gandhi

It’s in your hands now - Nelson Mandela
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Redondo Beach, CA: Earth Writes.
## Appendix 1

### The Corporate Pulse Report

<table>
<thead>
<tr>
<th>Corporate Governance Attributes</th>
<th>Importance</th>
<th>Performance</th>
<th>Difference (Performance vs Importance)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean Rating</td>
<td>Extremely Important</td>
<td>Mean Rating</td>
</tr>
<tr>
<td>Honesty and integrity in all dealings</td>
<td>9.4</td>
<td>85%</td>
<td>5.2</td>
</tr>
<tr>
<td>Having an effective and diligent board of directors who fully adhere to their responsibilities and duties</td>
<td>9.3</td>
<td>82%</td>
<td>5.6</td>
</tr>
<tr>
<td>Independently verifying and safeguarding the integrity of financial reporting to shareholders and the public</td>
<td>9.2</td>
<td>76%</td>
<td>5.8</td>
</tr>
<tr>
<td>Dealing with staff in a professional manner</td>
<td>9.1</td>
<td>75%</td>
<td>6.0</td>
</tr>
<tr>
<td>Respecting the rights of ordinary shareholders</td>
<td>8.9</td>
<td>69%</td>
<td>5.5</td>
</tr>
<tr>
<td>Being environmentally responsible</td>
<td>8.9</td>
<td>66%</td>
<td>5.3</td>
</tr>
<tr>
<td>Properly recognising and managing financial risk</td>
<td>8.8</td>
<td>64%</td>
<td>5.8</td>
</tr>
<tr>
<td>Disclosing all important financial activities</td>
<td>8.6</td>
<td>63%</td>
<td>5.6</td>
</tr>
<tr>
<td>Making known the respective roles and responsibilities of board and management</td>
<td>8.4</td>
<td>55%</td>
<td>5.5</td>
</tr>
<tr>
<td>Transparency in financial dealings</td>
<td>8.4</td>
<td>55%</td>
<td>5.4</td>
</tr>
<tr>
<td>Making sure the company is profitable</td>
<td>8.3</td>
<td>52%</td>
<td>7.6</td>
</tr>
<tr>
<td>Fair and reasonable salaries, bonuses and fees for executives and board members</td>
<td>7.4</td>
<td>42%</td>
<td>4.8</td>
</tr>
<tr>
<td>Sponsorship of community and sporting events</td>
<td>7.2</td>
<td>30%</td>
<td>6.0</td>
</tr>
<tr>
<td>Donating money to charity</td>
<td>7.2</td>
<td>31%</td>
<td>5.4</td>
</tr>
</tbody>
</table>


Note: At the commencement of this thesis empirical data from earlier reports were included in the appendices. However, these were later removed from the final document as each study probed different aspects of philanthropy, corporate social investment, or corporate behaviour and as such it was not possible to demonstrate clearly longitudinal progression, dynamic causality, or clear trends. Where these did emerge they were quoted in the body of the document.
## Appendix 2

### Appendix 2a

Originally Developed as Sample Interview Questions to be Used with Senior Executives of Not-for-Profit Organisations During the Pilot Phase.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Could you please give me a breakdown of where the funds that allow you to carry out your work come from?</td>
</tr>
<tr>
<td>2.</td>
<td>May I ask what your annual expenditure budget is?</td>
</tr>
<tr>
<td>3.</td>
<td>Will this be entirely met by the above sources?</td>
</tr>
<tr>
<td>4.</td>
<td>Do you actively seek corporate donations?</td>
</tr>
<tr>
<td>5.</td>
<td>Do you seek involvement with the corporate sector in any other ways other than seeking financial donations?</td>
</tr>
<tr>
<td>6.</td>
<td>How do you make your approach?</td>
</tr>
<tr>
<td>7.</td>
<td>What has been your experience been to date?</td>
</tr>
<tr>
<td>8.</td>
<td>How do you feel you could improve the effectiveness of this engagement?</td>
</tr>
<tr>
<td>9.</td>
<td>Have you ever approached them along the lines of the engagement benefiting both parties?</td>
</tr>
<tr>
<td>10.</td>
<td>If so have you been able to offer any research to validate this proposition?</td>
</tr>
<tr>
<td>11.</td>
<td>If so, what benefits for the corporate sector have you proposed?</td>
</tr>
<tr>
<td>12.</td>
<td>Where did this information come from?</td>
</tr>
<tr>
<td>13.</td>
<td>How has this approach been received?</td>
</tr>
<tr>
<td>14.</td>
<td>What has your experience been as regards potential donor companies wanting a return on their involvement / investment?</td>
</tr>
<tr>
<td>15.</td>
<td>One view that is propagated by some economists and also the Australian Shareholders Association is that no publicly-listed company should ever financially support the not-for-profit sector even labelling this shareholder theft. What are your thoughts on this position?</td>
</tr>
<tr>
<td>16.</td>
<td>One school of thought is of the belief that it is appropriate however, no company should ever derive benefit for themselves from their philanthropic activities. What are your thoughts on this?</td>
</tr>
<tr>
<td>17.</td>
<td>What about overt linkage to sales eg. ‘pink marketing’?</td>
</tr>
<tr>
<td>18.</td>
<td>What are your plans for future involvement with the corporate sector?</td>
</tr>
<tr>
<td>19.</td>
<td>In general do you see the involvement of these two sectors changing in the future? If so how?</td>
</tr>
<tr>
<td>20.</td>
<td>How do you think this engagement could be improved?</td>
</tr>
</tbody>
</table>
Appendix 2b
Originally Developed as Sample Interview Questions to be Used with Senior Executives of Associations and Organisations Who Have Made Significant Comments Regarding Corporate Social Investing To Be Used During the Pilot Phase.

<table>
<thead>
<tr>
<th></th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Can you please tell me about your thoughts on the involvement of Australian publicly-listed companies with the not-for-profit sector?</td>
</tr>
<tr>
<td>2</td>
<td>If pro – do you think the giving needs to reflect pure altruism of do you think its fine for the donor company to benefit from the exchange as well?</td>
</tr>
<tr>
<td>3</td>
<td>This view has its critics, are you familiar with some of these arguments? If “yes”. What are your thoughts? If “no” elaborate and then ask again.</td>
</tr>
<tr>
<td>4</td>
<td>If anti – the opposite view exists in some quarters with some commentators even quoting examples of companies benefiting from their participation in corporate social investment programs. What are your thoughts on this view?</td>
</tr>
<tr>
<td>5</td>
<td>Would you go as far as to say that to give the company’s money away is detrimental to the creation of shareholder value? Can you elaborate on this please?</td>
</tr>
<tr>
<td>6</td>
<td>What do you think about the latest trend toward “pink marketing” ie. cause related marketing?</td>
</tr>
<tr>
<td>7</td>
<td>Do you think the two sectors can learn anything from each other and hence benefit each other in terms of knowledge transfer or in any other ways?</td>
</tr>
<tr>
<td>8</td>
<td>Do you see a distinction between financial giving and non-financial giving such as staff volunteerism and pro bono services? If so why?</td>
</tr>
<tr>
<td>9</td>
<td>Why do you think profit making companies give their money away?</td>
</tr>
<tr>
<td>10</td>
<td>How important do you think the attitudes, background, world view of the CEO is to this decision?</td>
</tr>
<tr>
<td>11</td>
<td>You have given me a good understanding of your thoughts. What do you feel the general public’s view is on the whole as regards these issues?</td>
</tr>
<tr>
<td>12</td>
<td>Do you think there is any distinction between shareholders views and those who have no financial ties to large companies?</td>
</tr>
<tr>
<td>13</td>
<td>Do you see the engagement between the profit making and not-for-profit sectors changing in the future. If so in what ways?</td>
</tr>
</tbody>
</table>
Appendix 2c
Originally Developed as Sample Interview Questions to be Used with Entrepreneurs and Media Commentators Regarding Corporate Social Investing To Be Used During the Pilot Phase—as appropriate to the individual.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Could you please tell me about your personal philanthropic activities?</td>
</tr>
<tr>
<td>2.</td>
<td>You also have a very active involvement in corporate life. Do any of the companies that you are involved in participate in corporate philanthropy?</td>
</tr>
<tr>
<td>3.</td>
<td>If “yes” could you please elaborate on why?</td>
</tr>
<tr>
<td>4.</td>
<td>What has been the motivation?</td>
</tr>
<tr>
<td>5.</td>
<td>Who has been involved in the decision?</td>
</tr>
<tr>
<td>6.</td>
<td>What have been the outcomes?</td>
</tr>
<tr>
<td>7.</td>
<td>Have you been satisfied with these?</td>
</tr>
<tr>
<td>8.</td>
<td>On the whole how do you find your involvement with not-for-profits?</td>
</tr>
<tr>
<td>9.</td>
<td>How do you think they can be improved?</td>
</tr>
<tr>
<td>10.</td>
<td>If “no”. Given your strong personal involvement why do you not advocate the company doing likewise?</td>
</tr>
<tr>
<td>11.</td>
<td>Can you talk a little about your thoughts on corporate social responsibility?</td>
</tr>
<tr>
<td>12.</td>
<td>If appropriate following the above response – do you feel that an incompatibility exists between creating maximum shareholder returns and social investment programs? Can you elaborate on this view?</td>
</tr>
<tr>
<td>13.</td>
<td>Some commentators suggest that there may be benefits for a company that participates in corporate philanthropy and quote various examples. What do you think this view?</td>
</tr>
<tr>
<td>14.</td>
<td>What are your thoughts on a company intentionally seeking to gain benefits from their participation?</td>
</tr>
<tr>
<td>15.</td>
<td>What do you think about the trend toward cause related / pink marketing?</td>
</tr>
<tr>
<td>16.</td>
<td>Where do you see this whole field of corporates engaging with not-for-profits going?</td>
</tr>
</tbody>
</table>
Appendix 3
Sample letter and attachments sent when requesting interviews, using original thesis title.


Mr David Morgan
Chief Executive Officer
Westpac Banking Corporation
275 Kent Street
Sydney, NSW 2000.

Dear Mr Morgan,

I am writing to you in my capacity as an external postgraduate student of Southern Cross University Graduate College of Management. I am currently undertaking research as part of a doctoral thesis into corporate social investment in Australia. The title of my thesis is Corporate Social Investing: a study into the participation of Australian publicly-listed companies.

I was an attendee at last months Australian Centre for Corporate Social Responsibility conference and during proceedings you were kind enough to take my question from the floor concerning Westpac’s ability to measure the outcomes of its programs Thank you both for lending your support to the conference itself and also for taking the time to respond to my personal area of interest.

My study is a qualitative one largely based on interviews culminating in the deeper study of five Australian companies across differing industries. At this stage these are planned to be Banking, Financial Services, Construction, Mining and Telecommunications.

I would be extremely grateful if you were able to allow me to interview you as one of Australia’s most prominent business leaders and most supportive proponents of business community engagement. This would take approximately thirty to forty five minutes and I would naturally be happy to arrange this at a time and place of your choosing in order to minimise any inconvenience to your schedule.

The nature of the interview would be quite casual and conversational in style, however, should you wish to view a list of sample questions prior to the interview, I am more than happy to provide these ahead of time.
The taping of this interview, using a small digital recorder, is an optional aspect of the process and the use of this at the time of the interview is entirely up to you. Should you feel that the study has merit you may then wish to consider allowing me to include Westpac as one of my case studies and grant me access to your staff who have specific responsibility for your community programs.

I will telephone your Executive Assistant in approximately one week’s time to see if you would like to participate in the study. Should you decide not to participate it is not necessary to provide any explanation of this decision. Should you wish to contact me with any questions in advance of my call I can be contacted on 0400 221 137. Should you be happy to meet with me yet decide at any time either during the interview or at any subsequent time to withdraw from the process then you are absolutely at liberty to do so and any information given up until that point will be destroyed.

*The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The Approval Number is ECN-07-02. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer:*

Ms Sue Kelly  
Ethics Complaints Officer and Secretary  
HREC  
Southern Cross University  
PO Box 157  
Lismore, NSW, 2480  
Telephone 6626-9139 or fax 6626-9145  
Email: sue.kelly@scu.edu.au

*All complaints, in the first instance, should be in writing to the above address. All complaints are investigated fully and according to due process under the National Statement and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.*

Yours sincerely,

David Cooke  
Doctoral Candidate.  
Student ID 21383326  
MBA Executive, FAIM.

davidcoo@bigpond.net.au

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February 19 2007

To Whom It May Concern

Re: Doctor of Business Administration Program
Mr David Cooke (Student Id: 21383326)

This letter has been provided to verify the status of David Cooke as a Doctoral Candidate at Southern Cross University, Graduate College of Management Doctor of Business Administration program.

David is currently engaged in research in the field of Corporate Social Responsibility which will culminate in the writing of a thesis for submission to the university's examiners. The title of this thesis is:

Corporate Social Investing: A Study into the Participation of Australian Publicly Listed Companies.

The methodology chosen by David will require him to undertake a number of face to face in-depth interviews with individuals from the corporate and not-for-profit sectors, as well as others who can contribute to the research project. These will be followed up by a number of case studies involving a number of large Australian companies.

The ethical aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The approval number is ECN-07-02.

If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer:
Ms Sue Kelly
Ethics Complaints Officer and Secretary
Southern Cross University
PO Box 157
Lismore, NSW, 2480
Telephone (02) 6626-9130 or fax (02) 6626-9145.
Email: sue.kelly@scu.edu.au

Yours sincerely,

Associate Professor Peter Miller PhD
Director - Doctor of Business Administration (DBA) program
Director - Post Graduate Studies and Research GCM
Convenor DAoRS for Change, Innovation and Organisational Development
Graduate College of Management
Appendix 4 Interviewee Profiles

1. Dick Smith

Entrepreneur and Philanthropist.
Category: Individual.
Interview recorded in Sydney on the 17th of April 2007.

Dick Smith, well known businessman, aviator, film-maker, and explorer was born on 18 March 1944 in Roseville.

A brief outline of his achievements is listed below:

- First Trans-Tasman Balloon flight - 2000
- Founded Dick Smith Foods - 1999
- Chairman of the National Centenary of Federation Council - 1996-2000
- Appointed as Ambassador for the Council for Aboriginal Reconciliation - 1998
- Chairman of the Civil Aviation Safety Authority Board - 1997-1999 & 1990-1992
- First non-stop balloon crossing of the Australian continent - 1993
- Awarded the Lindbergh Award. An annual world-wide award given to one individual for lifetime achievement for a balance between technical advancement and environmental preservation - 1992.
- First person to fly around the world via the poles in 1989 and made the first helicopter flight to the North Pole in 1987
- Australian of the Year for 1986
- First solo helicopter flight around the world - 1983
- Founded Dick Smith Electronics 1968 which was sold to Aussie-owned Woolworths in 1982
- Awarded Baden Powell Award in 1966 after 14 years in the scouting movement

2. Geraldine Doogue

Noted broadcaster, journalist, social commentator and board member of The St James Ethics Centre.
Category: Individual.
Interview recorded at the Australian Broadcasting Commission, Sydney, on 11th May, 2007.

Geraldine Doogue, highly-respected journalist and broadcaster, is passionate about the social responsibilities of businesses and corporations. She currently presents ABC Radio National's Life Matters program and ABC TV's Compass program, both of which explore the changing nature and values of Australian society in a global context. Geraldine is an articulate, accessible and challenging presenter. Her forte is facilitating panel discussions and she is ideally suited to a progressive-minded audience.

3. Tamara Domicelj

Director of the Asylum Seekers Centre of NSW.
Category: Not-For-Profit Organisation.
Interview recorded in Sydney on 29th May, 2007.

Tamara Domicelj is the Director of the Asylum Seekers Centre of New South Wales. Established in 1993, the Asylum Seekers Centre is an independent, not-for-profit, non-government, organisation providing a welcoming environment and practical front-line support for community-based asylum seekers living in greater metropolitan Sydney. The centre also pursues justice for community-based asylum seekers more broadly through systematic advocacy and policy work. The centre was the first of its kind to open in Australia.

The centre delivers its direct client services free of charge and with complete confidentiality. The centre is entirely reliant on financial support from the community.

4. Phillip Adams

Broadcaster, Journalist and Social Commentator.
Category: Individual.
Interview recorded in Sydney on 18th July 2007.

For over 40 years Phillip Adams' columns in major newspapers and magazine have provoked discussion and outrage. He's been with *The Australian* since the early 1960s and his books including *Adams Versus God, The Penguin Book of Australian Jokes, Retreat From Tolerance, Talkback and A Billion Voices* have sold over a million copies. Billed as the "godfather" of the Australian film industry, his features include *The Adventures of Barry McKenzie, Don's Party, The Getting of Wisdom, Lonely Hearts* and *We of the Never Never*. He has written and presented many TV series.

He played a key role in the establishment of the Australia Council and has been Chairman of the Film Radio & Television Board, the Australian Film Commission, Film Australia, the Australian Film Institute, the Commission for the Future and the National Australia Day Council. He currently chairs the Advisory Board of the Centre for the Mind at the University of Sydney. His scores of board memberships have included Greenpeace Australia, Ausflag, Care Australia, Film Victoria and Museum Australia. He's currently a director of the Festivals of Ideas in both Adelaide and Brisbane, the Montsalvat Arts Society and is the Australian representative on the international committee of Index of Censorship, London. He was a foundation board member of the Don Dunstan Foundation.

Honours include two Orders of Australia, Republican of the Year 2005; the Senior ANZAC Fellowship, the Australian Humanist of the Year, the Golden Lion at Cannes, the Longford Award for services to the film industry, the Henry Lawson Australian Arts Award and four honorary doctorates from Australian universities. For the last 15 years he has presented "Late Night Live" on Radio National.

5. Stuart Wilson
CEO Australian Shareholders Association
Category: Relevant Association
Interview recorded In Sydney on 20th July 2007.

ABOUT THE ASA

The Australian Shareholders’ Association – ASA was established as a not-for-profit organisation in 1960 to protect and advance the interests of investors.

The ASA has been successful in raising the standard of corporate governance in Australian companies. The Association continues to press for improvements in transparency and accountability in relation to company performance, executive remuneration, treatment of minority shareholders, risk management and dividend policy.

The ASA liaises extensively with other bodies such as regulators, lawmakers, industry groups and accounting bodies. The ASA represents its members’ views on a number of accounting and financial industry bodies.

The ASA holds regular members’ meetings all across the country, and is also conducting very cost-effective adult education workshops aimed at improving members’ financial literacy.

The ASA comprises a board of directors, a National Office, and branches in New South Wales, Queensland, South Australia, Victoria, the ACT and Western Australia. Directors and other volunteers draw no fee or other remuneration for their services.

The ASA has published a number of policy statements that form the basis of its company monitoring activities. Company monitors in each state review all aspects of larger listed companies’ performance, governance and reporting and report back to members via the monthly ASA journal, EQUITY.

6. Michael Traill

Chief Executive, Social Ventures Australia.
Category: Not-For-Profit Organisation.
Interview recorded in Sydney on 1st August, 2007.

Michael Traill was appointed Founding Chief Executive of SVA in February of 2002, after 15 years as a co-founder and Executive Director of Macquarie Bank’s venture capital arm, Macquarie Direct Investment. Michael holds a BA from Melbourne University and an MBA from Harvard University.

Social Ventures Australia - SVA, an independent non-profit organisation, is a new and unique model of social investment that aligns the interests of philanthropists with the needs of social entrepreneurs to combat some of Australia’s most pressing community problems.

With a focus on accountability and impact, SVA provides funding, mentoring and organisational tools to a carefully selected portfolio of non-profit ventures led by outstanding social entrepreneurs.

In doing so, we seek to boost their effectiveness, efficiency, capacity and sustainability through our hands-on approach – effectively delivering a ‘24x7 due diligence’ reassurance to the philanthropists who support the work we do.

We seek to strengthen the broader non-profit sector by making our organisational tools accessible to all interested ventures through regularly scheduled workshops, annual conferences and an interactive online portal.

SVA has Deductible Gift Recipient - DGR status and therefore any donations to SVA made by individuals, corporate entities or trusts are tax-deductible.

7. Denis Tracey

Deputy Director of the Asia Pacific Centre for Philanthropy and Social Investment, Melbourne and Lecturer, Faculty of Business and Enterprise, Swinburne University of Technology, Melbourne.
Category: Relevant Association
Interview recorded In Melbourne on 14th August, 2007

Denis Tracey is a Research Fellow at Swinburne University of Technology, Melbourne. He is also Deputy Director of the Asia Pacific Center for Philanthropy and Social Investment at Swinburne. This Centre teaches, researches and consults in the areas of private, family and corporate philanthropy and social investment.


His previous appointments have included:

1996-99: Founding CEO of Family Business Australia, a national not-for-profit member-based organisation offering advice and services to family-owned businesses association of family-owned businesses.

1997-98: Founding Executive Officer of the Melbourne Community Foundation, an independent public foundation that enables and encourages individuals, families and corporations to set up philanthropic funds to benefit the community.

1991-96: Director of the Constitutional Centenary Foundation; which tried to encourage an informed debate on the Australian institutions of government.

8. Dr Simon Longstaff

Executive Director, St James Ethics Centre.
Category: Relevant Association
Interview recorded in Sydney on 24th August 2007.

The St James Ethics Centre was established in 1989 and is a fully independent forum for the promotion and exploration of ethics. Operating both in Australia and abroad, the Ethics Centre provides a neutral, confidential setting in which ethics questions can be raised, ethical problems explored, and ethical dilemmas resolved.

One of the roles of Simon Longstaff as Executive Director, is to encourage the process of integrating ethical considerations into the strategic thinking of the management community and those who advise and regulate them. More generally he encourages and contributes to the active discussion of ethical questions amongst the widest possible audience.

He completed his secondary education at Know Grammar School in Sydney and then spent time working on remote Groote Eylandt, off the coast of the Northern Territory, in the safety department of BHP subsidiary, GEMCO. He then returned to take up full time study, completing a Bachelor’s degree in Education in Tasmania.

Simon Longstaff then spent five years studying and working as a member of Magdalene College, Cambridge, before returning to Australia in mid 1991. Having won scholarships to study at Cambridge he read for the degrees of Master of Philosophy and Doctor of Philosophy. His research centred on related questions arising in the areas of political philosophy, ethics and the philosophy of education. Prior to returning to Australia he was lecturing at Cambridge and working as a consultant to the Cambridge Commonwealth and overseas Trusts.

9. Lyn Swinburne

CEO and Founder Breast Cancer Network of Australia
Category: Not-For-Profit
Interview recorded in Melbourne on 20th September, 2007.

Vision
Australians diagnosed with breast cancer and their families receive optimal
treatment, care and support, appropriate to their individual needs and wishes

Mission
Breast Cancer Network Australia will inform, empower, represent and link together
Australians personally affected by breast cancer. We will:

- **inform** women using a wide range of well-researched resources, directly or by
  referral to other appropriate agencies.
- **empower** women to have a voice in their own health care and to play an
  active role in improving breast cancer treatment, care and services.
- **represent** Australians affected by breast cancer in the health care system,
  scientific community, media and wider public.
- be driven by women who have themselves experienced breast cancer and **link**
  **together** individuals and groups sharing similar issues and experiences.

10. Bill Petch

National Marketing Manager Barnardos Australia  
Category: Not-For-Profit  
Interview recorded in Sydney on 27th September, 2007.

Barnardos is Australia’s leading child welfare agency. Through a diverse range of integrated welfare programs and services Barnardos is committed to helping protect the lives of thousands of Australian children and young people who suffer the traumas of neglect and abuse and the humiliation of poverty and homelessness. Most of these children are innocent victims of desperate and dire situations.

Barnardos is a non-denominational, non-government welfare organisation. We work with families, Government departments and other agencies to improve the lives of children throughout Australia.

For over 120 years Barnardos has been at the forefront of child welfare service provision and has embraced a tradition of innovation and holistic approach in our quest to find real, permanent solutions for Australian children in desperate need.

Barnardos builds relationships between children, young people, their families and the community. We advocate for children and young people and contribute to community knowledge about the issues that impact on society as a whole.

Appendix 5

Transcripts and Summaries of Qualitative Interviews
Undertaken in Phase 1 of the Research Phase of this Study.

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The Interviews

Interview 1- Dick Smith (Smith 2007)

Entrepreneur and Philanthropist.
Category: Individual.
Interview recorded in Sydney on the 17th of April 2007.

Some of the key comments made during the interview were:

Personal Motivation

‘I have made quite a lot of money and so basically I thought I would go ahead and do that and it’s very much purely because it makes me feel good’. ‘We’ve given at least a million dollars away per year for 15 years or so’.

‘Also I’m not a religious man but I do have a belief in karma, that if you do the right thing the right things will happen to you’.

‘I’ve found that in giving money away, especially until it hurts, that I’ve been better and more successful in my attitude and made better decisions in everything’.

Business Benefits / Return On Investment

‘I always said that you’re considering whether to donate a million dollars to the Salvation Army or put it in to advertising, the thing that would give you the best return would be the money into advertising’.

‘My decisions are basically non business in relation to charities’.

Cause Marketing

‘My successful business friends, who used to donate money, did it secretly. If you became successful you bought a water-front mansion or a cruiser on Sydney Harbour, to show how successful you had become, but when they donated to charity it was almost in secret and I capitalised on this’.

‘With Dick Smith Foods we do push the fact that it donates money. We get on the bandwagon for marketing purposes’.

‘I still prefer to give without publicity because when you get publicity it does take some of the satisfaction away’.

Corporate Governance

“It’s very hard to mix capitalism and charity together as capitalism is really built on greed and that’s why it’s so successful’.

‘I can’t imagine that a big company will also have an obligation to donate to charity’.
1. Dick Smith  
Entrepreneur and Philanthropist  
Category: Individual  
Interview recorded in Sydney on the 17th of April 2007

David. Dick, to ask you in a nutshell what really drives your own personal philanthropic activity?

Dick. It's basically self-satisfaction, my satisfaction from giving money away. When I was the young I never thought I'd have any money and I remember asking my parents what a philanthropist was and they said they people who had done well and helped others. When I was young in the 50s there were people like Sir Edward Halstrom who owned Silent Night refrigerators, and there was a philanthropist called Macpherson McRobertson of McRobertson's Chocolates and they were known as philanthropists and they gave large amounts of money away. My mum or dad said to be a philanthropist was someone who's done well and you know donate to society and I thought gee if I ever have any money which I never felt would be the case I'd like to be a philanthropist. It sounded like a good thing and I have made quite a lot of money and so basically I thought I would go ahead and do that and it's very much purely because it makes me feel good.

Also I'm not a religious person but I do have a belief in karma that if you do the right thing the right things will happen to you because it puts you in a state of mind that allows you to be more successful. So basically the reason I give is to make me feel good it's a selfish reason.

David. So bringing things a little bit closer to home to the research, you are obviously a very well-known person a very successful person have any of the companies that you've been involved in engaged in corporate philanthropic activities in other words giving their money away to the not-for-profit sector?

Dick. Yes, my wife is also involved. Since the age of 24 I've owned my own companies, Dick Smith Electronics, Australian Geographic, Dick Smith Foods and Dick Smith Investments where we have about 50 commercial buildings and I basically make the decisions to give the money away.

David. Have you involved anyone else in these decisions?

Dick. We've given at least a million dollars away per year for 15 years so 15 million dollars and then there's Dick Smith Foods and all it does is donate its profit, and it's given 3.3 million away mostly to social causes. Once again it does that because I've got enough money and it makes me feel good.

David. Dick do you have any real concern as to whether let's say Dick Smith Foods gets any particular kudos or notoriety from these donations?

Dick. With Dick Smith Foods we do push the fact that it donates money. We get on the bandwagon for marketing purposes.

Everything I've ever done in life is copied. I saw Paul Newman sauces or whatever they were and they made a big thing about donating their money which they do and that's one reason I would imagine people by their sauces so one of the principle reasons for more people buying Dick Smith Foods may be because we were donating money.

With Australian Geographic right from the start we said that not only are we going to run a successful business but we'll be putting money back into science the environment and nature. That as a member of the Australian Geographic Society you're involved in something that was giving, and putting money back into the community.
I always said that if you’re considering whether to donate a million dollars to the Salvation Army or put it into advertising the thing that would give you the best return would be the money into advertising. I think it would be very difficult for a business to justify donating to charity for purely commercial purposes and I think you’ll find that with really successful businesses like Murdoch and Packer you don’t hear about them being substantial gift givers.

**David.** Do you think there could be a changing trend in regards to the attitude of the public?

**Dick.** So because what’s very different about Australia is that people about five years ago thought I was a bit eccentric because not only did I donate money but also I didn’t seek publicity. I didn’t mind it either and it was quite interesting because my successful business friends who used to donate money did it secretly. If you became successful you bought a waterfront mansion or a cruiser on Sydney Harbour to show how successful you had become but when they donated to charity it was almost in secret and I capitalised on this.

I started what was called the Bourke town to town bashes where people took part in the car trials which have now raised something like $80 million for Variety because businessmen could donate money to charity without being seen as a do-gooder. You see you could cheat and bribe the judges and there were fines for these things and people could give but wouldn’t be accused of being do-gooders.

I still prefer to give without publicity because when you get publicity it does take some of the satisfaction away. There isn’t a Dick Smith foundation or anything with Dick Smith on it or a building or anything like that because it would take away from my satisfaction to have my name on it. So I prefer to give in this way because my motivation is totally selfish it’s just to make me feel good.

**David.** Now if you were the CEO of a public company would you find it hard to justify giving on purely commercial grounds?

**Dick.** I think for a public company to start donating large amounts of money I can understand the shareholders complaining, but maybe that’s changing. You might find that people accept this. It would be wonderful if people accepted Woolworths giving away 2 - 3% of its net profits. Generally public companies don’t and their rationalisation is that we are here to maximise profits and the shareholders can give the money away if they want to.

**David.** There is a fairly famous quote from the Australian Shareholders Association along those lines.

**Dick.** I understand this. It’s very hard to mix capitalism and charity together as capitalism is really built on greed and that’s why it’s so successful.

In my own business I wouldn’t feel good just making millions of dollars for myself so I make myself feel good by making plenty of money for myself but giving money away until it hurts as well.

**David.** There’s quite a bit of literature now or terminology in the literature around companies these days having multiple stakeholders beyond the shareholders and employees and customers that extends out into society.

**Dick.** I don’t necessarily agree with any that. I’m not an expert in particular but it sounds like the spin merchants trying to make the business seem better. In a global environment capital and capitalism is so huge. We’ve taken away the family that owns the business and replaced it with large corporations, so now these big companies have to somehow justify being without soul so spin merchants say “oh we have realised we have other obligations and other stakeholders”. The truth is basically they’re there to maximise the profit from the shareholders, however, they have to act ethically within the law.
I can't imagine that a big company will also have an obligation to donate to charity. I think that the two principle business reasons why people make a purchasing decision are still that the product is good and it's a good price. But let's hope the time might come when people might say, when applied to say Philip Morris, "They don't donate to charity so we won't buy their product".

David. I went to a seminar some weeks ago that was held on corporate social responsibility. It was held in the Westpac Building. You may be familiar with their current TV campaign in which they don't talk about shorter bank queues or lower interest rates at all. They focus on the environmental commitment and not loaning money for any purpose which may harm society. At the end of the day David Morgan the CEO of Westpac addressed the group and I was able to ask him a question from the floor following his talk.

I suggested that CSR had now moved from a peripheral part of Westpac's philosophy to a core part of its marketing strategy. I asked how they measured the return on investment as a marketing approach. He said that he could look any shareholder in the eye at any AGM and assure them that he was speaking their money wisely.

Dick. I'm not an expert but I doubt they will get a return on investment. Maybe the Board is feeling guilty about something and wants to make amends? You should speak to John Singelton who's the ultimate capitalist and ask him if what he thinks. He would probably tell you that they're a bunch of wankers who are wasting the bank's money. But then again perhaps the community is now demanding this sort of thing.

I think the popular thing with what you're doing is that it will be to say that these businesses if they do donate to charity can make more profits and long-running that would be the popular thing to say. Actually I think you'll find the businesses that will be highly successful will be those like the Murdoch businesses run by ruthless capitalists focused on maximising their profits.

David. David Morgan's response to me was that he could look any shareholder in the eye at any AGM and tell them that by committing funds to community engagement he was investing their money wisely. When I asked where did this return on investment show up he said that Westpac survey their staff regularly to find out why they joined and why they stay. They survey university students and ask if they were to enter the banking industry which bank they want to join. He said the bank's philosophy on corporate responsibility comes up time and time again in these responses.

Dick. And that's wonderful but what you've got to decide when you write your document, which I presume you will write from a sceptical perspective is whether this is really the case. Remember what people say and what they do can be two different things. They don't always do what they say they do in surveys. You only have to look at what our Prime Minister has to say on issues such as border protection where the policy may be talked about as ruthless yet when people get to the ballot box our true colours come out.

What Westpac are doing is admirable but maybe if they got a tougher chief executive things might be different. The CEO and Board might be thinking of their own self-image and that as the company is doing well they can afford to give its money away and they can afford to do something that makes themselves feel good.

It's all very well for people to say that I donate for pure altruistic purposes but I don't believe that there's any such thing. I think as human beings we do things for what we can get out of it, for personal satisfaction in this case.

David. At a seminar last year I asked the CEO of IAG Michael Hawker, whether the money that they contributed to community projects was directed to specific purposes or not. His reply was that this was definitely the case. For example funds may be made available for research into black spots in areas of road on which a number of accidents had taken place. This benefits the community and cuts down on insurance claims thereby benefiting the insurance industry and as a large insurer the shareholders of IAG.
Dick. Well that's good and he's being dead honest. That's sensible tough businessman. But I don't. I tend to donate to the causes that no one else will. Because that's what gives me satisfaction. We do some things for a return like putting Dick Smith on the side of a solar vehicle and more people buy Dick Smith Foods, so in other words for marketing purposes. About 80% of my donations go o the Salvation Army or the Smith Family where there's absolutely no return and no one would ever know. And that's because it's my own private money away and it gives me maximum satisfaction to know that I'm getting no benefit. But when I was running Dick Smith Electronics then I was directing most of my donations to things that helped promote the business because then I could make more money and then give more money away.

David. There seems to be a growing link between the business and not-for-profit sectors Things like pink tops on Mount Franklin Spring water bottles.

Dick. I think it's because of globalisation where capitalism has real problems. You see when businesses where privately owned people tended not to criticize them. But now you've got these huge companies and they're paying their executives huge amounts of money and they have to some how justify that they're not that bad. It's probably a good thing that the media put down the executives of these global multi nationals and so their reaction is to say well we'd better put some money into charities and that's a great answer.

David. Do you think it's unethical for a company who has perhaps had its reputation tarnished by say an environmental incident to then go out there and look for the first group in society who are underprivileged and start donating to them?

Dick. No I think it's quite ethical as long as it's openly done. For instance if the company comes out and says "Look we've made some serious errors and we're going to pay up now. Look at James Hardie Industries who get crucified all the time, some people would have just liquidated that business and started again in a new country with a new name but they didn't do that.

To me the fact that they're going to run that business paying out huge amounts of money for twenty or thirty years is a good thing. In a strange sort of way I admire the current executives who most likely were not the ones who were involved in asbestos mining for saying we'll now pay back large amounts of money to the people who were affected.

I don't think there is anything wrong with a company saying that look if we donate large sums of money we'll be able to build up our name again and that will give potential customers confidence in us again as long as its not secretly done or underhandedly done then I think its fantastic.

David. And obviously the money is flowing to worthwhile causes that need it.

Dick. And if I were the chief executive of that company I'd say "Look, obviously we've made some seriously poor decisions in the past and we're going to put money into Ronald McDonald House or whatever, and I'd just be quite open about it.

David. There is one school of thought which says that if a business gives its money away for any purpose other than pure altruism then its doesn't even fit into the realm of philanthropy, its just another form of marketing.

Dick. Well there's a fine line between the two. You see I donate for purely selfish reasons. I don't even know what altruism means. I have none of it. I do it for self satisfaction. I think as creatures we are motivated by the satisfaction which we can get. So essentially donating money is not altruism it's essentially selfish. I think when the Managing Director or director of BHP decides that they should give money away it's because he or the board can feel good or it will get some business advantage or some of each, and I don't see anything wrong with any of that. That's how human beings operate. And I'd be very suspicious of anyone who says "Oh I do it for purely altruistic reasons". I think that very unlikely.
David. You spoke about karma earlier Dick. Do you think it’s possible to give money away purely for the satisfaction of yourself and your wife and family and so on yet behind that there’s some kind of law of nature that somehow automatically produces a return even though you’re not looking for it?

Dick. Well you see I’m patron of the Australian Sceptics Society and I’m not religious and I don’t feel that there are laws of nature that we don’t understand. The way I see it is that if you do the right thing by people that gives you a peace of mind which then allows you to make better decisions which then makes you successful. I’ve found that giving money away, especially until it hurts that I’ve been better and more successful in my attitude and made better decisions in everything. I’m a very confident person but I wouldn’t be this confident if I just made the money for myself. I’m proud that I pay my taxes and have been able to donate money to others and I just put that down to being in a fantastic country and to being lucky. I also have a feeling that if you don’t do it things will go wrong.

David. Why?

Dick. Because I think you’ll be sorted twisted inside, you’ll have a guilt feeling inside that will stop you make correct decisions. So I think it’s totally rational and explainable. I don’t know. It could be something religious. I’m totally agnostic about agnosticism. But I’ve only lived one life but I have found that when I do the right thing, right things seem to happen to me and I’m sure that’s the reason. You feel more empowered in yourself and more confident if your making the right decision and also your more likely to ask for advice because of your confidence and that all goes down to being a better person.

David. Part of my motivation in doing this thesis is that I would like to see more money flow from the corporate sector to the not-for-profit sector and I’d like to put these thoughts from various people like you into the hands of some of the people running charities. In corporate life I’ve had a selling background and when I see charities approaching business they tend to go in and describe themselves and the work they do but in the cold hard world of effective selling that’s a very ineffective way to sell.

Dick. Yep, I agree.

David. If you go out and describe your product people will just fall asleep on you. If you spend the first twenty five minutes talking about their business; what keeps you awake at night Mr CEO, what are your objectives over the next three to five years, what are the main challenges that you’re facing what are the main things blocking your achievement of those objectives. And you tease out what the needs of that corporation might be and whether there might be a fit between these and what you might have to offer.

Dick. Yes, but to get a person of that quality to work for a charitable organisation will normally be very difficult. They’ll normally be one of the top sales or marketing people at Coca Cola. So that’s the problem. The most competent people at weaselling money out of people are barristers getting $8,000 a day.

David. If you had any advice for charities as to how they could engage more effectively with companies does anything come to mind?

Dick. Well I get thousands of letters and I probably try and help 10% of those. I’m just trying to think. No they’re all different. I can’t really say what motivates me and what doesn’t. Because we’re very much motivated to giving to individuals they’re all different. We’ll get a letter from an other whose son has just been made quadriplegic and she needs a device to help her son lift his wheelchair onto his car. We; how do those people know the best way to ask? They just don’t, they don’t have any ability to. I can’t really suggest how best they can approach companies. They really have to tug on the heart strings to get someone to make a non business decision in many cases. My decisions are basically non business in relation to charities. Particularly as I know the giving by large companies will probably require some justification for shareholders so I try and help the ones who won’t get their help, because I don’t have shareholders.
Interview 2 - Geraldine Doogue (Doogue 2007).

Broadcaster, journalist and social commentator and Board Member of The St James Ethics Centre. Category: Individual. Interview recorded at the Australian Broadcasting Commission, Sydney, 11th May, 2007.

Some of the key comments made during the interview were:

Corporate Responsibility

‘I would say that for years I’ve been rather attracted to the ideas of Robert Reich, former American Secretary of State and Secretary for Labour who made the argument that the corporation truly had to represent its capital its shareholders its community its employees and it had to consciously think about balancing all of these’

‘I think the idea that you have a sort of god given right to operate causes an element where some people think that those people who invest in the company need to be considered strongly. But if you draw a distinction between the right to operate and the right to thrive, that you were given the right to thrive within the community rather than just survive’.

Government Involvement

‘I’m fundamentally a believer in that and hopefully a light handed regulation with the government as a broker, not with the government necessarily as a major player, but I do believe that somebody has to be the organizer’

Motivation of Business

‘He says I can’t tell you how many times I’m bowled over in the rush and it’s no exaggeration, from people saying “sit down I need to talk to you”. In relation to the experience of Michael Traill from SVA with corporations.

Business Benefits / Return On Investment

I remember Paul Keating’s great line “in any two horse race always back self-interest, because at least you know they’re trying”. I think it’s right. In relation to seeking an ROI on social investment.

Future Trends

‘... I see this as the perfect storm gathering in a way that I haven’t in all my years of doing not-for-profit work, of sitting on boards, I promise you I have not seen the conditions in corporations that I’m seeing now’.

‘If the downturn comes the others may back out but quite frankly that shouldn’t stop people giving. You set up a notion of giving and I’m a great believer in shame I think it’s the most under discussed issue. It’s about starting a habit with these things and sticking with them’. 
David. Firstly I mentioned to you the reason I wanted to speak to you was that I saw you as a prominent social commentator. And what I'm attempting to do here really is get a range of views on corporate philanthropy and community engagement. It would appear there is a growing trend for companies to engage with the not-for-profit sector and this study is looking at a couple of things. One, is it appropriate or is it a responsible activity? If so should it even be mandated to support the community? What level of giving should be going on in a compassionate society that still has to be cognizant of the commercial drivers of where shareholders issues need to be considered? Also such aspects as who should make the decisions around giving etc. to all that kind of thing.

Geraldine. I would say that for years I've been rather attracted to the ideas of Robert Reich former American Secretary of State and Secretary for Labour who made the argument that the corporation truly had to represent its capital its shareholders its community its employees and it had to consciously think about balancing all of these. Then we went into a period, when he was Clinton's Secretary of Labour when they were working within the legacy of Reagan and shareholders had definitely been privileged and I fear we've gone to the top of that particular summit and we're coming back down the other way to look at things in a very more balanced way which I very much more prefer.

You could argue that "well of course she would" because of my stripe, because it's well-known that I believe in a modern democratic society and today it's about balance of forces, and I think that without constraints to strike that balance that there are powerful forces which do overwhelm others and I don't think that forces in society that make us a civilised society are evenly balanced.

I'm fundamentally a believer in that and hopefully a light handed regulation with the government as a broker, not with the government necessarily as a major player, but I do believe that somebody has to be the organizer. The organising principle I believe, just like knitting a garment, or running an orchestra. The metaphor I like a lot of is to think of an orchestra. There are moments of anarchy in their efforts, but it's well led by people who draw out the best in others.
That to me is a very attractive idea and so I see the modern corporation as having to consciously strike a balance in the community it serves is one important area.

That all this corporate social responsibility stuff is real appeals to me and that the longer I go on the more I think that has to be a part of the consciously set structure of obligations. And of course there will always be a debate about how do you get the balance right. And you have to have your eye on the community and you have to find a way to disperse some of your earnings to give you the right to continue operating.

I think the idea that you have a sort of god given right to operate causes an element where some people think that those people who invest in the company need to be considered strongly. But if you draw a distinction between the right to operate and the right to thrive, that you were given the right to thrive within the community rather than just survive.

I like finding words, especially verbs, because these are incredibly inviting and most of us love those active verbs. In particular something thriving suggests that the very route requires balance. I think the community does give the corporation the right that's the broader context. Of late in particular through my work at the St James Ethics Centre I've seen a very strong sense coming through, I suppose over about two years I would say, that in order to retain good talent that the organisation has to strike a bargain with the community that allows its employees to find more meaning from their work.
We had a presentation made to the board just a month ago about this. All the CBD types are very conscious that they need to be actively involved about how to try to hire the best employees and keep them.

The salary package, although that's a part of it, they know they have to do more to keep them by doing things like pro bono work being offered by the organisation that they can get involved in. The organisation is almost like a broker for the employee to give meaning to their work life. It is a lot more prominent than I thought it would be. At the St James Ethics Centre we can now offer leadership packages and workshops in this because the CBD people and firms pay for them and because they have to culpably offer something more than just a routine, so this is a very new developing trend.

I think it's to do with the shortage of very good people and turnover because people are consciously looking to something more almost to break that routine of just giving the usual service back to the corporation or the legal firm or whatever so I see this as the perfect storm gathering in a way that I haven't in all my years of doing not-for-profit work, of sitting on boards, I promise you I have not seen the conditions in corporations that I'm seeing now.

It is in the midst of a boom so to some extent is counterintuitive because you think that because we are we would be more wedded to the toys and bonuses which they love but it's that sense of what am I to do with this money.

What can I do with this? What's the word, this largess? It's golden times, genuinely in a way that I thought wouldn't have happened but I think it genuinely made people think "what's this all about".

Michael Trail is a man that I commend to you. He's done a marvellous job of exactly what you're talking about. The profits and the not-for-profits working together.

And he told me last year that when he started Social Ventures Australia, having come from Macquarie Bank, that he use to walk in slightly mealy mouthed, a bit reticent to ask for the money but not now, its completely changed. And now he walks in with his head held high and saying "boy have I got a deal to you". Meaning on offer to their employees and he shows them a range of possibilities. He says I can't tell you how many times I'm bowled over in the rush and it's no exaggeration, from people saying "sit down I need to talk to you".

David. Both the answer to the individual looking for meaning in their job and for the organisation looking to offer their staff more and differentiate themselves as an employer. So this suggests a degree of self-interest on behalf of the company in its engagement with the not-for-profit sector. Does this bother you at all Geraldine?

Geraldine. No it doesn't, it's never bothered me. I remember Paul Keating's great line "in a two horse race always back self-interest, because at least you know they're trying". I think it's right. In fact it's funny over the years I have become suspicious of unadulterated altruism because of a worry, even though I do believe in charity, but I think there's normally a heavy dollop of self-interest, and if people can enunciate that, I think then it becomes much more durable and reliable. You become a long-term committed person if you do nominate a degree of self-interest as part of your motivation. I also think you do better decision making analysis when you factor in your own self-interest.

David. When I interviewed Dick Smith he said that he didn't even know what altruism meant. He said "it's certainly not my motivation to give. I give out of pure self-satisfaction. If ever the word leaks out of money donated to the Smith Family or whatever the less satisfaction I get. The more anonymous the giving the more satisfaction I get.

So publicity destroys the satisfaction of the giving and Dick was saying he doesn't intentionally seek publicity for that reason. He's a well-known philanthropist but his view was that in a deep philosophical sense altruism doesn't actually exist.
Geraldine. I think the exception is as a parent. I think it's non reciprocal. I think women are a bit more inclined to give. I think women have been given a very strong message about not seeking a return. Of course we do, but I think we may toy with and dwell upon the notion that some things just must be done out of duty.

David. That might be a little bit different. Pure altruism, that is, “I want to give to my children” without strings. But this may come about by some sense of duty that is I’m supposed to be acting like this and I may not feel good about myself if I didn’t give in this instance.

Geraldine. Yes that's true, but I think that people have had to look at the notion of domestic labour. It’s not costed in the same way as other labour. In our current system where there is so much alleged choice to different principles. So much of what happens in homes gets overlooked and whether that can be a useful metaphor with the outside business world I’m not sure.

David. There may be more unique biological circumstances when looking at the parental child relationship?

Geraldine. Yes. Harold Mitchell gave a very long speech not dissimilar to what we're discussing. In many ways he would be seen as a classic Alpha male in the business world. It’s admirable about how Harold has had to think this through.

David. Do you think he had to think this through because of the trend of change in the business world?

Geraldine. I think it’s more to do with Harold’s individual life. It’s fascinating to watch.

David. I wonder whether very capable business people possibly with a more developed feminine side can get to the top of organisations more easily in this current environment whereas previously they had to be a Jack Welsh type. I recently attended a CSR seminar by David Morgan and I didn’t feel he was speaking at the seminar because it was a trendy thing to do. I felt that he genuinely believed that the bank could afford to give but also could get something back as well, so there was no incompatibility.

Geraldine. Yes I know it’s very interesting. It dovetails into another thing that I have observed of late. For a while there was a dearth of invitations for me to speak at functions and I think possibly because I was seen as being aligned to religion through my affiliation with the Compass program. But now the invitations are really coming back, to speak at functions and the difference I see is that the type of conference is being run by business that now thinks differently.

I met recently with people from the City of Sydney and they have conferences with people involved like sociologists. Lectures analysing cities in China that they could engage with not just trading people but studying the people themselves. I went to one, one week, run by big business and am thinking of writing about this, and business are talking about complex issues in which they were discussing more than the bottom-line stuff.

David. In order to enhance the bottom line?

Geraldine. Yes I think so but there’s something more. I think it’s possibly the unexpected impact of a long boom. In other words I think prosperity and the sort of certainty of prosperity, because this is a golden era that is not stopping any time soon. I think people have lowered their shoulders and are coming to terms with the fact that there is a safety in this prosperity and asking what they can do with it.

David. That it’s not enough in itself in other words?

Geraldine. Yes. I never saw it coming, I admit I never saw it coming and it is here. One thing about the church is that they don’t preach about plenty to remind people who are prosperous. It’s still about the poor family but there needs to be a way to deal with plenty.
How is one to make meaning of plenty as opposed to focusing on the needy? It is proposing that everybody is on the edge, and of course there are these people. It's an art to take these people that have plenty to the edge but these people are smart enough to move in their thinking because they're intelligent people.

David. In doing some of this research I came across the terms CNN factor and disaster pornography. Where the media enter homes every night with so many shocking images and the concept is that in showing more graphic images doesn't really cut it any more. To get people to care is harder. They're getting dulled now unless it's something of particular magnitude or on their doorstep like the Tsunami. By and large it’s not as effective any more as it used to be. But this individual involvement seems to have been replaced to some extent by business circles with business saying there’s something in it for us now. And this has created in another potential wave of giving.

Geraldine. I think in its own way Radio National has played quite a role in this country and in other parts of the ABC because they actually incorporate business far more. For example Late Line Business where the public conversation piece includes them and they actually now feel that they are involved and have been included in the family of discussion around where society heads next. So it's very interesting. I fundamentally believe in localism but I think the national broadcaster has invited this level of involvement.

And I think people like David Murray who was at one of these big functions of Australia Limited is a bloke who set up of the global fund is basically an example of this. A whole lot of corporates are having a conversation about how Australia can engage internationally and he had this big conference were they all went to the government house in Melbourne.

Also one of the former senior managers who have just retired from Macquarie set up a foundation for aboriginal philanthropy just outside of Alice Springs where he set up a corporate model to promote tourism and self-help in the community and he is completely fixated and had those guys and gals eating out of his hand. You could have heard a pin drop.

David. How did he touch them?

Geraldine. They desperately want these sorts of things, like aboriginal affairs, to be a competent arena. He told story after story after story of competent engagement, so he talked in their language in the corporate language and he looks so engaging and I think he was just an amazing draw card for these people. I think it wasn't the not-for-profits telling them, it was a corporate telling the story.

David. Is that because of his obvious credentials and credibility or purely because of his skill at engaging learnt over many years? Do you have to be from the corporate world to present these ideas or be good at what you do when you do your pitch?

Geraldine. That's a very good question. Instinctively I think you have to have proven yourself to some extent in the corporate world. I think one person that is now telling his story better is David Morgan. I had David Morgan on my show. Two of his executive directors were up in the Gulf of Carpentaria at the time setting up low-interest corporate loan programs, teaching governance etc.

David. Do you think that when they do that they should trumpet it from the rooftops or keep it under a bushel?

Geraldine. David Morgan talked about this on my show and said a lot of people know about it but they don't trumpet it. It is a subtle mix because many people are suspicious of corporations but they are quite happy to talk about it in a way that they do identify their self-interest. You could see that David was very proud of his executives who had had their skills lifted and that he also felt there was a quantifiable good for the community. It is an interesting mix.
David. When I went to the CSR seminar that David spoke at I said to him that community engagement was clearly for Westpac a core part of their business strategy and marketing strategy because they have these advertisements running on TV about the Equator Principles. They speak about being the only bank to refuse loans for anything that could potentially damage society or the environment. This was very different to advertising lower interest rates or shorter queues. The first thing he said was that he can look any shareholder in the eye and justify to them what return on investment he was getting for them from Westpac’s CSR programs.

Geraldine. He is very comfortable with the two coming together.

David. What about the concept that this is a government responsibility?

Geraldine. I feel that for wealthy individuals and businesses to give is critical and I still think that some of my colleagues believe that we only require government to take responsibility. If the downturn comes the others may back out but quite frankly that shouldn't stop people giving. You set up a notion of giving and I'm a great believer in shame I think it’s the most under discussed issue. It’s about starting a habit with these things and sticking with them.

Look I think it is hard to measure businesses involvement, honestly. I would argue that what David Morgan can't say publicly is what you can manage a number of questions, he can push back by putting his hand on his heart and saying the number could be justified. But fundamentally from what I'm hearing at the moment, from what I'm hearing of the biggest challenges facing business are things like attracting and retaining good staff and there seems to be a benefit there for business with these programs.

Whether they’ve got it right I don’t know but they really go on about it actually.

David. I know you have to run or you’ll be in trouble with your producer but thank you very much for taking the time to talk to me Geraldine.
Interview 3 - Tamara Domicelj (Domicelj 2007).

Director of the Asylum Seekers Centre of NSW.  
Category: Not-For-Profit Organisation.  
Interview recorded in Sydney on 29th May, 2007.

Some of the key comments made during the interview were:

**Personal Motivation**

‘This is an issue that I feel very passionate about, a long felt passion. I suppose a psychology textbook would say that my exposure to refugee issues as a child in Chile probably invested me with a sense of social justice and compassion’.

**Challenges of Engagement**

‘…to use a cliché we’re not kids with cancer’.

**Motivation Of Business**

‘As regards corporate motivation, there has been one corporation that has provided a pro bono service and wanted their staff to have the opportunity to volunteer with us’.

‘Lend Lease have done some work with us. It is really at a middle management level and it’s been difficult to break through to higher levels’.

**Government Involvement**

‘We receive no government funding whatsoever. At a Federal level we wouldn’t actually accept government funding if it were offered to us, we wouldn’t accept it from the Department of Immigration. We have taken a stand around our independence and not compromising that which is what would be involved if we took this funding’.

**Future Trends**

‘But I think we’re starting to see the tide turning now. We’re potentially moving into a period where it’s not quite as bipartisan as it used to be’.

‘Look I’ve never worked within the corporate sector, so from the outside I guess what I’ve had is a growing appreciation of what seems to be the increasing propensity to get involved’.
3. Tamara Domicelj  
Director of the Asylum Seekers Centre of NSW  
Category: Not-For-Profit Organisation  
Interview recorded in Sydney on 29th May, 2007

David. Well Tamara if we could start by you briefly letting me know what your role is and a little about the organisation.

Tamara. I’m the Director of the Asylum Seekers Centre of New South Wales. The nature of the work is largely welfare oriented. We were established in 1993 as a place of welcome for community-based asylum seekers. So people who may have spent time in immigration detention centres, or may not have, that are living lawfully in the community while waiting for an outcome on the immigration matter.

The situation we have at the moment in Australia is that significant numbers of those asylum seekers are in situations that we describe as enforced destitution, which essentially means on a type of bridging visa that allows them to remain lawfully in the community but doesn't allow them to work, including voluntarily, doesn't allow them access to Medicare or Centrelink benefits or to undertake any form of study. So they're destitute and obviously entirely reliant on charity to meet their basic subsistence needs. So the mandate of the organisation is to do our best to advocate for people to receive support. We are able to receive them, to increase community awareness of the issues faced by asylum seekers and also to deal with crisis situations particularly to do with health crises that asylum seekers are not able to afford to treat.

Not long ago we had a young man stagger into the centre that was insulin-dependent not having eaten for three days because he couldn't afford to do so. So obviously we intervened very swiftly and organised ambulance transport for him and advocated with them for a retrospective fee waiver on the treatment he received, and then managed to get him into a mainstream welfare organisation further down the track. But in the meantime providing him with blankets and food. We're extremely limited in what we can do, so that's the difficulty, that's the double-bind of trying to work with a relentless flow of people and emergency issues and the same time trying to engage with the system.

David. It sounds like a lot of what you provide is knowledge about how to work within the system, how to survive in this country? What other avenues do those people have other than yourselves?

Tamara. We are the only organisation of its kind in New South Wales and that is very different in Victoria for instance where there are five equivalent organisations. There are networks that have developed over time of concerned individuals helping people on these bridging visas.

The Department of Immigration does provide some support to some asylum seekers but there is still a huge gap. So what we're adept at doing is to try and negotiate support within the system that isn't really set up to do so. To provide links at senior levels of hospitals and to seek various other pro bono services.

A lot of what we are doing is engaging with the Department of Immigration, increasing levels in regards to reforms, which they are actually considering, particularly after the Cornelia Row and Vivian Alvarez situations. After that we found it much easier to engage at very senior levels around reform agenda. But it's very slow.

David. What is your personal motivation?

Tamara. This is an issue that I feel very passionate about, a long felt passion. I suppose a psychology textbook would say that my exposure to refugee issues as a child in Chile probably invested me with a sense of social justice and compassion. It's also about finding it virtually intolerable to sit by and see Australia not complying with international standards that were signed on to and agreed to.
We hear a lot about the Australian public deciding who comes to Australia and circumstances under which they come. My personal position around that is that we made those decisions some time ago when we signed on to the Refugee Convention. In relation to statelessness and conventions against torture, conventions o the rights of the child as signatories to a whole array of conventions. Yet would not ratify these or incorporate these into domestic legislation. We selectively run our affairs in a way that is quite disparate to our stated position and I find this value gap very difficult. For me this is the clearest way at the moment to engage with this issue.

David. There must be some personal, financial disadvantage to you?

Tamara. Yes absolutely. For the last 10 or 15 years I’ve been on a steady decline as I take positions of more and more responsibility, but it’s all relative. So yes I and my colleagues are on salaries which make living in Sydney complex but it’s far from the circumstances of the people that we are working with all the time have.

David. You spoke about this gap as being intolerable but most people in Sydney also see this but their attitude is to do nothing about it and go and buy a bigger yacht or whatever. Those that do act differently and support your work or the work of other charities, have you noticed any common thing as to why you believe those individuals choose to help?

Tamara. What I see in this position more than any other is that the support is enormous from some individuals. In most cases they want to support by volunteering their time and having some direct personal contact. Sometimes that’s useful, sometimes it's not.

David. When a person wants to engage with the people you are helping can there be complex issues around that? Potentially seeking to get more out of it than what the giving provides which then at times may not be helpful to your work, and to give in other ways would be more beneficial?

Tamara. Yes that's absolutely right. When people apply we ask them to reflect on what their motivations are. What people tend to say is that they think the political circumstances are wrong so I want to help. I think invariably volunteering does give us all something, inevitably we gain through it. We do see some circumstances where people appear to be seeking out a relationship that's not a healthy relationship, a relationship that is actually about dependence and is not about empowerment and not necessarily about dignity and respect but that's the minority of cases and we try to set some very clear boundaries around that. So we don't accept all offers of assistance if we don't feel it is a good fit or we feel we're seeing people demonstrating unrealistic expectations of what the experience will be about.

David. When I interviewed Dick Smith I asked him if his motivation for giving was purely altruistic, but he said he didn't even know what the word meant, in the sense that a hundred percent of his giving was for personal self-satisfaction and the dissatisfaction was at its highest when least people knew. I sometimes hear the view that it's fine for corporations to give for instance as long as they don't get anything out of it themselves. Some people see charitable giving by corporations as exploitative, to make greater profits or to appease their poor corporate reputation. Any thoughts on this matter Tamara?

Tamara. Well we are really at the cusp of trying to do that corporate engagement now. There has been a high level of resistance to providing financial assistance yet the interest in the issue which we deal with now is steadily growing among some CEOs. I think we're seen as a political issue and therefore not one that people really want to promote engagement with, for instance through their Web site.

David. Do you feel that the work that you do is not as appealing as that of some other sorts of charities?

Tamara. Yes, to use a cliché we’re not kids with cancer.

David. The very word “refugee” may not be seen to be palatable to 50% of the shareholders?
Tamara. Absolutely there is so much misinformation around asylum seekers like queue jumpers and so on and I can give you a lecturer on why that's such a fallacy but that's still a perception out there. But I think we're starting to see the tide turning now. We're potentially moving into a period where it's not quite as bipartisan as it used to be.

As regards corporate motivation, there has been one corporation that has provided a pro bono service and wanted their staff to have the opportunity to volunteer with us, which seems like a very fair exchange. However, what was difficult about the relationship, which is not current any more, was that there was a very specific investment in making one type of contribution which actually required a huge amount of effort on our part to set up and administer and really duplicated an existing service. What was useful to us was having access to a pro bono service but there seemed to be some kind of an agenda there which wasn't necessarily going to be so constructive for the clients that we have here. The suggestions that we were making around other forms of engagement were not taken up.

David. Sometimes it would appear that the motivation to give has to come from an individual or a group of individuals even if it is coming from a corporation, in other words it still comes down to people. Sometimes I've wondered whether the motivation to give requires a degree of emotional intelligence on the part of the giver?

Tamara. Lend Lease have done some work with us. It is really at a middle management level and it's been difficult to break through to higher levels. They run a community day at which they come into the centre and apply the skills and talent they have to a problem that we have identified for them and they have a day out bonding as a team in a different way that produces something very tangible, which they know is going to be a great benefit to us because we've set the task.

We have lunch together and they can ask as many questions as they have, then go away with information they didn't have before. Use the photos of them being here for their annual report, so they then promote this as an activity the corporation has been involved. Individuals get some fulfilment and the corporation gets some kudos.

David. And you are completely happy with this Tamara?

Tamara. Yes absolutely. I'm very happy for the organisation to get something back for the giving, and it's wonderful to see the people coming back the following year to re-engage. It gives a lot of satisfaction to us, its enormously nourishing in both ways, that is for both parties.

David. Do you have any thoughts about the companies that don't engage with the disadvantaged?

Tamara. Look I've never worked within the corporate sector, so from the outside I guess what I've had is a growing appreciation of what seems to be the increasing propensity to get involved. So all I can do is to welcome that. About 15 years ago when I was doing welfare work there were extraordinary debates around whether we should accept their money; with a 'them' and 'us' mentality. At stages, well I felt quite open to the possibilities of an involvement between the two, albeit it was a vast new area.

Funding needs to come from somewhere and ultimately with the engagement that we've managed to have its all about people engaging people. My contact is with people not so much with the corporation and that's how I see it. To have some big names saying we are willing to support this course in this organisation is really beneficial to us. And for some companies to put their logo on our website and for people to visit our website and have their purchasing practices influenced then I think that's fine.

David. In a perfectly balanced society whose responsibility do you think it is to support the sort of work that you do? Government, corporate, private individuals whose responsibility is it?
Tamara. We are in a position where we desperately need funds. We run on the smell of an oily rag and we're entirely reliant on philanthropic support. We receive no government funding whatsoever.

At a Federal level we wouldn't actually accept government funding if it were offered to us, we wouldn't accept it from the Department of Immigration. We have taken a stand around our independence and not compromising that which is what would be involved if we took this funding. However, as long as our principles are not compromised then we are happy to receive support from various sectors of society and I think they all have a role to play in helping support organisations like ourselves.
Interview 4 - Phillip Adams (Adams 2007).

Broadcaster, Journalist and Social Commentator.
Category: Individual.
Interview recorded in Sydney on 18th July 2007.

Some of the key comments made during the interview were:

Corporate Responsibility

‘I’ve been involved with corporations long enough to realise that they were at best amoral, not immoral, enterprises’.

‘A company should be involved in things like this even if they have to be bullied into doing it, because they have a responsibility…’

‘There are odd business leaders who have odd moments of eccentric luminosity. Its often like watching fire works going off occasionally but that’s about as good as it gets’.

Motivation of Business

‘Most of this is window dressing, and a pretty small window’.

‘None of them, none of them, would ever do anything without pressure on them’.

‘It's a disgrace that outside of Jewish businessmen in Australia the others are so f***ing tight fisted and mean-spirited or haphazard in their giving’.

Cause Marketing

‘So I think that what Coca-Cola Amatil has done is bullshit. It is just a distraction, like a conjurer distracting us while doing his tricks. For God's sake Amatil are one of the greatest tobacco giants in the world. So it's really just a stunt'. In response to Coca Cola raising money for breast cancer research.

Government Involvement

‘In Australia people don't feel under sufficient moral pressure to give and they need the taxation system as a pump primer’.

Future Trends

‘... there should be money given to those in need but that is Pollyanna stuff. Peter throws these hand grenades out but its not going to happen’. In response to a comment by ethicist Peter Singer regarded mandated giving.

‘But it's a bit early to say how the cards are going to fall’.
Phillip Adams
Broadcaster, Journalist and Social Commentator
Category: Individual
Interview recorded in Sydney on 18th July 2007

David. The title of the thesis is Corporate Social Investing: The Benefits for Australian Companies and Society. The word investing is intentionally used to indicate the change from corporate giving being purely an act of charity to more of an investment both for the recipient and potentially the donor. Broadly can you give me your thoughts Phillip on whether you feel this is a responsible act for a company owned by shareholders to give their money away.

Phillip. Anybody from my ideological background has to think it's a good idea but I've also spent a lifetime in business and have been always appalled by the way the CEO, potentially influenced by the CEO's wife, gave money away in an erratic way. Kerry Packer's erratic philanthropy was often quite useless. I also don't think companies should have one bottom line.

David. What about taking the concept further. Not only that it's acceptable and reasonable, but it is the responsibility of the company that has been given a licence by society to operate.

Phillip. Well sometimes it has been given a licence like a television station that does have a licence, of the finite nature, but sometimes it has cut a swathe and carved out its own territory. Many have charged through and created business from ground zero.

I don't think that is mandated giving is going to happen. I think it's an exercise in futility to discuss the companies being forced in any way to have the responsibility to give to charity. Yes, there will be pressure from the shareholders, pressure from people within or the board table with kids pressuring managers and many companies will get forced into social commitments. These often will be fraudulent, often will be window dressing, often will be deeply cynical and often it's very hard to tell these apart. I'm very sceptical about this.

I've been involved with corporations long enough to realise that they were at best amoral, not immoral, enterprises. To take the line that most corporations have ethics is an oxymoron. But good things are desirable, good outcomes are desirable.

David. Coca Cola Amatil recently put pink tops on their Mount Franklin mineral waters and a very small proportion was going to be given to breast cancer research.

Phillip. This is very interesting. I brought Ralph Nader to this country many years ago and seeded the consumer movement in this country. He said that 'Coca-Cola had a funnel in the gullet of the world, including the Third World'. He said he was appalled that Coca-Cola never put anything nutritious in their lolly water, never give any real thought to the good that they may have potentially been able to do when selling the crap that they made, rather than causing people diabetes and rotting their teeth. So I think that what Coca-Cola Amatil has done is bullshit. It is just a distraction, like a conjure distracting us while doing his tricks. For God's sake Amatil are one of the greatest tobacco giants in the world. So it's really just a stunt.

David. Do you think it's morally offensive to trade off the suffering of women with breast cancer or kids with cancer?

Phillip. It's not morally offensive but it is repugnant. I'm cynical about these things. Kellogg's have recently come out with a move regarding their sugar encrusted cereals and this is clearly a desperate strategy to mitigate potential legislation or punitive action. You can see on public broad casting service shows on SBS, excellent shows, that at the end you'll see sponsorship by various companies that are throwing a few crumbs at the PBS to make themselves look good.

David. Some would say, 'who cares what the corporation gets out of it as long as it's doing some good'.
Phillip. Some would say that and they're right to say that. Certainly the recipients. Most corporations have departments devoted to human resource problems, internal and external. Most of this is window dressing and quite a small window. It's like Grace Bros or Myers or David Jones putting little tiny windows behind which all these things are happening that she don't see.

David. What about the view that looking after the disadvantaged in society has nothing to do with corporations and is purely a government responsibility.

Phillip. No I reject that. I ran or helped to run the international year of the disabled sometime ago. A company should be involved in things like this even if they have to be bullied into doing it, because they have a responsibility, they're really just another citizen and all citizens have a responsibility therefore they should be subject to the same sorts of pressures, admonishments, acknowledgements, encouragement as you or I.

David. Just pursuing the line of the individual. There is a very old religious-based tradition of tithing or giving away 10% of one's income. Recently Peter Singer said he thought people should give away 25% in an affluent western society to redress the imbalance of the world economic situation. What are your thoughts on that?

Phillip. Peter’s a good friend of mine and I think is one of the greatest public intellectuals alive and of course there should be money given to those in need but that is Pollyanna stuff. Peter throws these hand grenades out but it's not going to happen. It's like people buying a few shares in corporations so that they can attend annual general meetings and make a nuisance of themselves.

Like Ralph Nader. He used every trick in the trade to bring Detroit to listen. It still took another 30 years for seat belts or airbags and he used every legal device, after all he was a Washington lawyer. And he used carrots and sticks and everything to bring General Motors to heal.

And Patrice and I spent a lot of time doing this with the mining industry and the crisis it represented to us in the Upper Hunter where we have a farm. And you do this in the hope that you're bullying or cajoling of organisations into being better corporate citizens might work.

David. Looking back a hundred years or so you had companies like Burns Philp who used to bring the slaves from the Pacific to cut cane. You come to more recent times and people like Ralph Nader where the automobile companies intentionally placed fuel tanks close to the rear of the vehicle where they would intentionally kill X number of people to save Y number of dollars in the manufacturing process. Do you think corporations are more ethical than they used to be given examples I've just used?

Phillip. Some; that's all you can say; some. Others are just as reprehensible as ever. You have corporations like Nestle who still sell their retched powdered milk to pregnant women or young mothers in African countries. What happens is once an organisation is being forced to clean up its act in the US or Australia they dump their products in the Third World.

None of them, none of them, would ever do anything without pressure on them. Pressure can come from many different directions and sources. I used to go to lunches in boardrooms with senior executives where clients were from banks and airlines and they’d talk about things that didn't appear in their official life, and you knew that they had a son or daughter who was pressuring them and nagging them at night, and that’s how things happen.

David. I interviewed Dick Smith recently and he said he gave for pure personal satisfaction that he didn't even know what altruism was and the more publicity he got the less satisfaction he got.

Phillip. Dick might say that. But I know Dick very well and I can assure you that he courts the notoriety he lives off notoriety. It's manifest bullshit.
David. I read a book a few years ago and it is parallel in some ways to what I am doing. It's called Giving It Away by Denis Tracey.

Phillip. I know Denis very well, he is living with my daughter in Melbourne.

David. Oh, well I'm hoping to interview him as well when I get to Melbourne. In that book he quotes you talking about, well I think the question was why don't people give more? How can people ignore the suffering in the world?

Phillip. We know the dynamics of large-scale philanthropy. The taxation system can open up people's wallets. We know that most of philanthropy is driven by the Jewish community because it is driven by profound testimonial tradition. It's a disgrace that outside of Jewish businessmen in Australia the others are so fucking tight fisted and mean-spirited or haphazard in their giving. Still most of the major philanthropic institutions are from Jewish backgrounds and I think that's a story that most Australians don't begin to understand.

There are some spectacular new arrivals in this area from the dot com industry, the overnight riches mob. The problem in this country is there aren't enough examples. I nagged Kerry Packer for years and he was on the verge of setting up the biggest foundation in Australia, of course being Kerry it had to be the biggest, because he was just throwing money at any ad hoc feel good thing. I tried to get him to hire some of the people I knew from the Myer Foundation who engaged in strategic philanthropy. These were intellectual people and non-intellectual people like Packer and Dick Smith may be very intuitive and spontaneous, but they lack intellect.

In Australia people don't feel under sufficient moral pressure to give and they need the taxation system as a pump primer. I remember reading in the Financial Review that corporations had no right to give away the shareholders money. But it's a bit early to say how the cards are going to fall.

David. Do you think that philanthropy has a far greater potential to do good in society than just the cause it's aimed at? To actually redress imbalances? What I mean is

Phillip. I know exactly what you mean. Because somebody like Gates, plays dirty in business but has now become the greatest philanthropist in the world and also potentially the most strategically intelligent one on earth. This may be associated with some of his guilt or that his wife is clearly devoted to giving a lot away; she does it very well. It is not just the money he gives it embarrasses others, his giving embarrasses others, and they are following suit. He offers an incentive for others to behave themselves.

David. There is a quote from a gentleman called Edmund Burke 'the only thing necessary for evil to triumph is for good men to do nothing'. You have on the one hand massive globalisation culturally and corporately usurping age-old cultures, often leading to a consolidation of wealth within the hands of American and European companies.

Some people would say that therefore you will get social upheaval. That this will create greater revolution and terrorism. With something like Bill and Melinda Gates putting 25 billion into a fund do you think that this is perceived well by developing nations and therefore helps to a certain extent to stem social upheaval? Or do you think that's going too far?

Phillip. In some cases it would. George Soros was looking at buying the Amazonian rainforests with other companies. But then you get Brazilians feeling that they are being subjected to neo colonial interference and pressures. Nothing, even the most simple gift, is ever simple. Like food aid into Sudan. I can't think of any munificence act by the affluent West into the Third World that hasn't had a dark side. It is very, very hard to get these things right. And often use of the wealth from the World Bank and the IMF are seen for what it is. Riches are clumsy and these acts of generosity can sustain and support an authoritarian regime. The food gets nicked etc.
This is a principal thing. I'm much more touched and impressed by the $20 donation from the pensioner than I am from $10,000 donations from someone who can well afford it and says 'can I please have my receipt by the end of the financial year the tax purposes'. It is not the size of the donation it is the motivation of the donor in a purely ethical sense.

David. Phillip, what happens when it goes from the personal level where someone can't really afford it donating $20, and wanting nothing back, to the corporation? Why can't the corporation act with the same motivation? Are we talking about the emotional intelligence of the CEO or the board?

Phillip. Yes, it often comes down to who is driving the machine. Often they have a very short-term focus. I used to do work with Qantas and I thought in many ways it was the best company in Australia. It was not profit driven it was safety driven, was excellence driven. This was evidenced by the rapid response to the Darwin cyclone. People were proud to work there. I wrote the words 'Spirit of Australia'. I wrote it at the time when I thought it was true. I now feel like going around scraping those words off every aircraft. The morale at Qantas's is shithouse. No one likes working there and the chief executive and the board tried to sell the bloody company. It has become a corporate pariah for what it does.

Sometimes corporations have golden periods. The Land Corporation of America run by Edwin Land was a great company and was on the cutting edge of technology with the Polaroid camera. Land himself infused the company with his spirit and he insisted that his senior executives take sabbaticals. They had to go up to Harlem to work with poor black people.

For a while it was so glamorous, making lots of money hugely successful, I though it was going to be a wonderful example from the corporate world but it turned out that when Land died so did his dream and the company was overtaken by newer technologies.

In the advertising industry the Bernbach Agency a US advertising agency attracted ethical clients because they were ethical. They believed they should tell the truth in advertising. People would come and work there, rather advertise there than with J. Walter Thompson. They were hated by Nixon as they did pro bono work on a raft of issues.

Lawyers are loathed but there are some law firms that do an immense amount of pro bono work. But they are not global corporations, they are companies of people.

David. And they tend not to be public companies owned by shareholders.

Phillip. Yes that's right they haven’t been crushed by the public nature of the organisation.

David. David Morgan the CEO of Westpac is often held up as an example of a business leader who is really trying to make a difference in society and make a profit. He sends his executives to Cape York to work in aboriginal communities setting up micro credit facilities etc.

Phillip. Well yes good on him but he comes out of federal bureaucracy and takes those values and was very close to Keating.

David. Its been said that he is atoning for mistakes he made while advising government such as the deregulation of the Australian banking industry which lead to massive branch closures.

Phillip. That’s what I’m saying. No good act is entirely good. There are always negative consequences.

David. The perversity theory.

Phillip. I was involved in getting funding for Australian films. And it went from being the hardest country to make a film in to the easiest, but then racketeering appeared and tax rorting. It’s very hard to get it right.
David. Well as an agent for social change where has that left you? Disillusioned, or simply accepting the reality that, that's the way it is?

Phillip. Accepting the reality that you never get it right and you are dealing with processes not events and you have to keep fiddling with the knobs and settings.

David. Phillip, are there any business leaders in Australia today that you particularly admire.

Phillip. Well I’m outside that loop so I couldn’t really judge. There are odd business leaders who have odd moments of eccentric luminosity. Its often like watching fire works going off occasionally but that’s about as good as it gets.

David. Well I promised I’d only keep you for 30 minutes so thank you very much Phillip.
Interview 5 - Stuart Wilson (Wilson 2007b).

CEO Australian Shareholders Association
Category: Relevant Association
Interview recorded In Sydney on 20th July 2007.

Some of the key comments made during the interview were:

**Motivation of Companies**

‘It seems to be something of particular importance to companies with widespread community roots. It’s deemed to be important to be seen as part of the community’.

‘Reputation building is one of the big ones. There are competitive pressures on all companies and they can’t afford to be seen as being left behind’.

‘Banks are seen by many as being faceless, cold hearted, fee generating machines. This reflects on their bottom line and one way of counteracting this is to communicate with the community around some of the good things they are doing’.

**Corporate Governance**

‘…some years ago he did come out and make a statement suggesting that it was irresponsible for a publicly-listed company to give the shareholders money away. We’ve modified our position somewhat over the years on this’. In reference to a previous statement by the ASA.

‘Our current Chairman stated our policy position as being a recommendation that companies should not be donating money to a region in which it had no commercial interests. Following the Tsunami we actually started receiving threats over the phone coming into our office here’.

‘Our view now, which perhaps is more reflective of public opinion, is that until individuals give more towards areas of need in society, then companies have to bridge that gap’.

**Corporate Responsibility**

‘Obligation kicks in, in times of extreme need, such as natural disasters’.

**Government Involvement**

‘Well if the government were capable of doing everything why have charities at all. The fact is that the government can’t look after everyone, and charities can’t rely entirely on government’.

**Benefits for Business / Return On Investment**

‘Its marketing potential is being realised and it’s important that companies let people know what they’re doing if they are to extract benefits such as attracting job applicants and retaining staff due to their CSR programs’.
David. Stuart, could you please tell me a little about the Australian Shareholders Association.

Stuart. The ASA is a non-profit organisation which was established in 1960 primarily to protect and advance the interests of investors. We also consult to and advise Australian companies. A big part of our work is to press for greater transparency and accountability in relation to company performance and areas such as executive remuneration, corporate governance, risk management etc. We often take a leadership role on issues that we feel are important. We have a very good relationship with the top two hundred publicly-listed companies and many are members of the ASA.

David. It would seem that there is a growing trend toward companies wanting to portray themselves as being good corporate citizens. Is this your observation?

Stuart. It seems to be something of particular importance to companies with widespread community roots. It's deemed to be important to be seen as part of the community.

David. Why do you think this is?

Stuart. Reputation building is one of the big ones. There are competitive pressures on all companies and they can’t afford to be seen as being left behind.

David. What's the negative as you see it to not participating?

Stuart. If you look at the banking sector for instance, the banks are already facing a headwind of public attitude. Banks are seen by many as being faceless, cold hearted, fee generating machines. This reflects on their bottom line and one way of counteracting this is to communicate with the community around some of the good things they are doing. We see the whole spectrum from a hard line capitalist approach through to community investment supporters.

David. Some people feel there is something somewhat sinister about leveraging off the misfortune of others. For instance using engagement with disadvantaged areas of the community for marketing purposes. What are your thoughts?

Stuart. Some people will find negativity in anything, even a company donating money. In actual fact it can be a win, win for everyone. If you speak to charitable organisations and ask them whether they welcome the association with corporates or not I’m sure you’ll find that they see it as a positive one.

David. Is it important to be up front about motive?

Stuart. Again, using the banks as an example. If they are portraying themselves as altruistic then this is misrepresentation. On the other hand corporate philanthropy is completely different. Corporate social investment demands that a return for shareholders is generated by its very nature.

At the ASA we have struggled with the whole concept of corporate philanthropy versus corporate social investment.

If HIH is paying for the Ray Williams wing of a university or hospital to be built then this is wrong. They are shareholder funds and should not be used for the promotion of any one individual within the company.

David. What if it’s the HIH wing?
Stuart. That's a different matter.

David. Some controversy seems to exist around the issue of whether a corporation has a responsibility to support the community versus whether it's actually irresponsible to do so. I believe that a former, or possibly current, representative of the ASA, Stan Mather, has made some comments on this issue.

Stuart. Yes, well Stan has passed away now but some years ago he did come out and make a statement suggesting that it was irresponsible for a publicly-listed company to give the shareholders money away. We've modified our position somewhat over the years on this.

Our current Chairman stated our policy position as being a recommendation that companies should not be donating money to a region in which it had no commercial interests. Following the tsunami we actually started receiving threats over the phone coming into our office here.

Our view now, which perhaps is more reflective of public opinion, is that until individuals give more towards areas of need in society, then companies have to bridge that gap.

David. Anywhere in the world?

Stuart. Yes, anywhere in the world.

We do have a preference, however, for shareholders to have a say in how that money is directed. One program that has been quite successful is that of 'Dividends for Disease'. This allows shareholders to forgo dividends and have them donated to various charities such as Australian children's hospitals. This is either via a standing or one off amount and either a % or $ amount.

ANZ Bank also has a matching program that allows customers to donate to specified charities within a nominated group and have that donation matched by the bank.

Our underlying view is that we much prefer that the decisions around corporate philanthropy have shareholder involvement.

David. What about the role of government versus the corporation?

Stuart. Well if the government were capable of doing everything why have charities at all. The fact is that the government can't look after everyone, and charities can't rely entirely on government.

It is well within the charter of companies to give. We feel that companies should however, make shareholders aware of their intent, provide them with knowledge and give them choice.

David. There is sometimes criticism of overt ‘pink marketing’ for example Coca Cola Amatil putting pink tops of their Mount Franklin bottles and donating a portion of profits to breast cancer research.

Stuart. Marketers are increasingly going to have to be aware of growing public cynicism. This is compounded by things like multiple rock concerts for public causes. British Petroleum presenting itself as being green and flowery. But you're a petrol company! This could backfire. Tobacco companies raising money for cancer research would be an example of going too far. Casinos donating to programs for gambling addiction.

David. Perhaps this type of thing, like casinos donating, would be more of a risk mitigation strategy, to avoid greater government regulation?

Stuart. Possibly.

David. In what circumstances do you think companies have an obligation to give?

Stuart. Obligation kicks in, in times of extreme need, such as natural disasters.
David. What about the argument that there is always a level of need in society?

Stuart. Well I think the Sydney Futures Exchange, before the merger with the ASX, looked at some kind of program on a regular basis. I think it was going to be 5% of net profit donated annually. This would have been a board consideration. Again, however, I need to come back to this point of shareholder choice. If a shareholder makes a return from investing in fixed interest or property or any other investment then they get to choose whether they donate a portion of this to a worthy cause. Therefore why single out shares for a type of tax, a type of mandated social tithing, when there is nothing in place for any other forms of investment income.

David. Do you think CSR is just a fad or will continue to grow?

Stuart. It will continue to grow. However, whereas currently it resides within the PR or Corporate Communications departments of large companies I think you’ll see it move more into central management. It will become more mainstream.

Its marketing potential is being realised and it’s important that companies let people know what they’re doing if they are to extract benefits such as attracting job applicants and retaining staff due to their CSR programs.

David. Do you think it actually works as a staff retention strategy?

Stuart. It’s a very individual thing, whereby various staff retention strategies work for different people. For example I am not attracted by things like staff social events and programs that staff can get involved in outside of work time. But many people are. The same applies to CSR. But on balance I think you can say it does aid staff retention.

David. I recently had the opportunity to ask David Morgan a question following a CSR seminar. He was adamant that when he gave the company’s money away, the shareholders got a return.

Stuart. There’s a glowing example of it that’s the best endorsement you’ll ever get.

David. I have heard some people within the not-for-profit sector express concerns around a movement of emphasis from pink to green. That is from engagement with community to being seen to be doing something about the environment.

Stuart. It’s hard to measure this sort of thing. Westpac try to balance both and I think do a pretty good job. They’ve measured the savings around less paper usage driven by better practices in the workplace. It’s a lot harder to come up with dollar returns for CSR initiatives however.

David. Thank you very much Stuart. I really appreciate your time and sharing your thoughts with me.

Interview 6 - Michael Traill (Traill 2007).
Some of the key comments made during the interview were:

**Personal Motivation**

‘To help outstanding organisations to grow and achieve scale is our social investment message. It is profoundly about partnership across the two worlds’.

‘…we don’t want your donation, we don’t want you to give us money, we want you as a social investor’.

**Motivation of Business**

‘Fundamentally also I think many consumers are saying that “how we make purchasing decisions has deep regard as to whether we believe the organisations we are buying goods and services from are ethical and are contributing to the community. I think this is now increasingly part of the consumer decision-making fabric. So there’s an economic imperative that is based in a place of morality’.

‘…those assets those bright young things in their twenties and thirties, very, very many of them are saying they want a career in which they will earn decent money but right up there in the top two or three priorities is the opportunity to engage meaningfully with the community’.

‘…if you line up the moral and economic reasons for those who kind of neatly separate the primacy of shareholder returns, I think you are missing something substantial’.

**Benefits for Business**

‘With practical opportunity for community engagement you can hang on to your better quality people for longer’.

‘If you have a leader in an organisation who is an exemplary leader in society…then the culture of that place will reflect that. If you don’t have that you’re probably stuffed’.

**Future Trends**

‘Look at most of the top 100 companies CEOs here in Australia and there is a significant gap between rhetoric and reality on this’. ‘This stuff is getting more strategic and is hitting the landscape more but I think we have a long way to go’.

**Advice**

‘So I think there is much more cross-fertilisation across the sectors at a management and leadership level. There needs to be a lot more of it but I think that’s happening, that’s evolving’.
David. So Michael could you please give me a very brief description of your background and what led you to do the work that you are doing today?

Michael. Well I had 15 years of Macquarie Bank which I joined in 1987 after being an MBA student at Harvard. I graduated from Harvard Business School in ’87 and spent two years in the corporate advisory area of a Macquarie and was involved as a co-founder of the bank's private equity business in the late 80s. That went through until 2002 and then I started Social Ventures as founding Chief Executive in 2002. So I've been doing this for the last five years and I also maintain some commercial board positions.

David. And your motivation for forming Social Ventures?

Michael. Well two things. One Social Ventures Initiatives, as it was then called, was the product of thinking from Rob Mclean, who was then Chairman of the Benevolent Society and former Managing Partner in McKinsey and Jane Schwager who was the Chief Executive of the Benevolent Society. The idea was to see if you could supply commercial capital principles to the philanthropy world and I thought that made a lot of sense. They were looking for a Chief Executive having secured funding from the AMP Foundation and it appealed to me because I thought the idea of that sort of approach to philanthropy sector made a lot of sense.

Personal motivation was having had a good run personally and professionally, financially at Macquarie I wanted to move on to other things more about community, practical community engagement, so it was something that had appeal for a range of reasons related to that.

David. There were lots of roads that lead to you. Every time I spoke to somebody about my thesis they said “you've got to speak to Michael Traill” “you've got to go and see Michael Traill”. Although I'd kind of worked that out for myself during the preliminary research that I'd done.

The study is very much a qualitative one. I’m interested in people's opinions. There’s a tension that exists between those who say that corporations even those owned by shareholders have a responsibility to the society in which they operate, having been given a ‘licence to operate’, which is a term I often hear, and therefore they have a responsibility to give back to society. Versus the other end of the spectrum which is the argument that their responsibility should purely be to produce a return to their shareholders, and then let the shareholders decide what to do with money.

Michael. It’s interesting if you actually go back to the time of economic and philosophical roots of this, I find Adam Smith quite interesting on this and he’s regarded in many quarters as the father of the invisible hand, the author of the Wealth of Nations. The ideological founder of the logic of the capitalist system and the free market. If you read a full body of Adam Smith’s stuff including a book called The Theory of Moral Sentiment, there is a deep notion that pervades his writing of whatever is drawn, and in those days and earlier in feudal times drawing wealth from the community, is part of the community.

So if you actually go to that I’ve always had a strong view in terms of what corporations draw in terms of economic wealth is from the community in which they engage. So the idea of a sharp separation between a primary responsibility to the shareholders and the community has never really made a lot of sense to me, certainly never made sense at a moral level. And Adam Smith makes that very clear.

I also don’t think it makes sense economically because you know again at a practical level if you look at the contemporary corporate world I think for those corporations that do engage in the community and it is not only morally right but I think there is a significant and growing argument that it is actually in their economic self-interest.
One of top of reasons is that I think most people, and the environment is a great example of that, that if we’re not doing constructive things in terms of continuity and living together on the planet then that’s just not a smart healthy thing to do. And so I don’t think there’s a leader of a major corporate now, I don’t think, where they have a significant exposure or engagement to the environment where they aren’t across the issue of the environment. That has to be a part of who they are and what they do so if they don't engage with that they’re letting the organisation down.

Fundamentally also I think many consumers are saying that “how we make purchasing decisions has deep regard as to whether we believe the organisations we are buying goods and services from are ethical and are contributing to the community. I think this is now increasingly part of the consumer decision-making fabric. So there’s an economic imperative that is based in a place of morality.

The third thing I think is that, particularly in services businesses, the mantra for all of them is that the most important asset to our business walks in and out the door every day. I know in terms of the work that we’re doing, those assets those bright young things in their twenties and thirties, very, very many of them are saying they want a career in which they will earn decent money but right up there in the top two or three priorities is the opportunity to engage meaningfully with the community”.

So if you as an organisation provide that and your competitor doesn’t, that will be a significant influence on whether I either join you or stay with you. So if you connect that to the idea that an organisation’s most valuable resources are its people, and those people are actually saying “we want that opportunity”, you don’t have to be Einstein to figure out that it could be a source of competitive advantage if you offer that. With practical opportunity for community engagement you can hang on to your better quality people for longer. So I think there’s a range, if you line up the moral and economic reasons for those who kind of neatly separate the primacy of shareholder returns, I think are missing something substantial.

David. Some people argue that to give to society with the understanding that there will be a return on an investment; in other words you will be able to hire better grads, get more customers, to keep your staff longer etc. etc is actually a misuse of the environmental situation, of the disadvantaged in society etc. due to the return being sought. Any thoughts on that?

Michael. I’m a creature of the practical and this depends on who you’re pitching to. If you are pitching to a left brained, hard headed CEO, and the way to convince him to take what's a morally right position is by highlighting the economic benefit, then fine. I think there is much overlap between the morality argument and the economic self-interest imperative and many people consider, particular company boards of directors in this environment, many of whom start with the premise of “well yes we should be doing corporate social responsibility, giving back to the community, which is a phrase I really dislike by the way, but that we should only do it in areas where there is a direct and immediate, tangible benefit to the organisation and I think that's fundamentally wrong and incredibly short-sighted, for the reasons that I spoke about before.

If you connect the dots, the concept of a moral corporation with a long-term view of the world and its place in the community, I think over time will out perform some of its economic objectives. Its a little bit subjective you know what’s a green organisation and what’s not but I think there is an emerging body of evidence that organisations that generally have strong green credentials perform least as well as if not outperform broader market indexes and that doesn't surprise me at all.

David. Yet it is interesting I interviewed the CEO of the Australian Shareholders Association and their position has moved over a decade from, no money should be given to not-for-profit organisations through to having made a statement that it's okay to give locally but not necessarily to give to an area of need that isn't also a commercial market for you namely Southern India or Indonesia etc but that resulted in having death threats come into the office.
Hence they have modified their position to it being a good thing to do but that there should be no more imperative for a company to give a percentage of its turnover or whatever than should say somebody earning the money through fixed interest or any other mechanism in society. Do you see companies having any kind of unique responsibility because of the amount of wealth they generate or any other reason?

**Michael.** I struggle with the concept of a company or a corporation. I think you have to unbundled that and that's where we get stuck on some of these ideas, and with due respect to the Shareholders Association if you mandate this stuff your missing a much bigger point. Companies are compiled of people. If you have a leader in an organisation who is an exemplary leader in society who sets an example of who they are, how they engage in their lives personally with their families, what they do in the community, and then the culture of that place will reflect that. If you don't have that you're probably stuffed.

If you look at a few of the exemplar examples people like Rob Hunt at Bendigo Bank. We've had a lot to do with AMP as a funding partner and Andrew Mohl really gets this stuff and is doing stuff around this.

You could say corporations should give 1% but if that 1% is given in a cynical way which is all about allocating it to organisations where they think that will generate business then you haven't fundamentally changed anything much within the organisation. So I back away from the notion of the corporate in this and get to what is the corporate, the corporate is a bunch of people and I think the truth is that in Australia, and anyone I've talked to objectively, and I've spent time overseas as well looking at this, tells me that we're a bit off the pace here. Look at most of the top 100 companies CEOs here in Australia and there is a significant gap between rhetoric and reality on this.

**David.** And is a big part of this engagement with the community the charismatic leader, the individual himself or herself who is steering the ship?

**Michael.** They don't necessarily have to be charismatic but they have to be personally involved and they have to be personally committed. Leaders have all sorts of different styles. You can have David Morgan from Westpac talking eloquently about three to five to ten year timeframes and why for an organisation like Westpac there is moral and economic imperative, and he's quite a high-profile figure.

And there are others like Rob Hunt from Bendigo Bank who is a much lower key figure who shies away a little bit from the press that is loved in that organisation and the Bendigo bank model is deeply respected in the community. In terms of practical on the ground leadership he does it by example and does it very well.

**David.** I asked a question of David Morgan after at a CSR seminar that was held earlier this year about this whole field and he said I can look any shareholder in the eye at any AGM and tell them that I'm investing their money wisely, whether it’s the Westpac Care Flight helicopter or indigenous programs in the Gulf of Carpentaria or whatever and getting good financial returns as a result. When asked for examples he said when we survey university students if you were to join a bank, when you leave, which bank would you be most likely to join and why? We survey our staff as to why they stay at the bank in the face of better offers. I intend to go back to Westpac at the case study phase of my research to see if I can look more closely at some of these results. You've mentioned Bendigo Bank and you've mentioned AMP is there any other business leaders in particular that are doing a good job around this field?

**Michael.** Not really. Also speak to Tony Harrington, National Managing Partner of PricewaterhouseCoopers accounting firm who has been a long time supporter of ours. He’s saying that the attraction and retention rate for their graduates is higher than their competitors and they think part of it is their emphasis on their foundation and community engagement and a culture of giving and programs which reinforce that. This stuff is getting more strategic and is hitting the landscape more but I think we have a long way to go. Their research around this has indicated some very positive results. Michael Hawker from IAG Insurance is also very effective around this stuff.
David. Yes, I had a chance to ask him a question at another CSR conference that was held at Clayton Utz law firm. The senior partner convening the meeting said that we do lots of great things but we don’t tell anybody as we don’t think its right to blow our own trumpet. Michael Hawker got up and said we do lots of good things also and we tell everybody. So you have those two polarized views.

Michael. Well I’m with Michael Hawker in that there is no point in not letting the world know what you’re doing. Otherwise nothing is going to change much.

David. One concern that I have had voiced to me is that companies are perceiving the value more and more of being perceived to be involved in the various areas of CSR and the feeling is that some consumers, and shareholders possibly also, will mark the organisation quite hard if they are not seen to be a good corporate citizens. But the flavour of the month, or perhaps the decade, seems to be around the environment and global warming. The result being that a lot of funding, focus and attention of the company are going into the environmental credentials of the company and not the social credentials of the company. Have you perceived that at all?

Michael. There is no question about the power of “An Inconvenient Truth” and in the work that Al Gore’s been doing as being a tipping point in placing it in the mainstream agenda and corporate agenda. And the emphasis on the environment at the moment in the minds of most people.

We do limited work with the environment, we do work more in the area of deep social need in indigenous communities, mental disabilities, unemployment. We find a reasonably strong level of interest in that. So I don’t feel that it has been pushed aside. Due to Gore and other initiatives it has become a front and centre issue.

But when we talk about the work we do we emphasize that we live in Australia where there are two economies. There’s the bright and shiny one where we have 3-4% GDP growth and then there’s the communities of decline in indigenous communities. There are pockets of sustainable disadvantage, particular in aboriginal communities and we work with people who are looking for smart ways to fund and engage in those communities to do something constructive about that.

David. I think you are involved in twenty odd projects that you have provided seed capital for or set up but outside of those projects that you are specifically involved in are there any not-for-profits that you see that engage particularly well with the corporate world? They’ve kind of got their model worked out.

Michael. We’ve got some non-profits who do a pretty good job. If you look at The Smith Family, The Benevolent Society, The Brotherhood of St Lawrence, Mission Australia. If you look at their board structure, you look at their corporate partnerships and their senior staff resources. These people are coming from the corporate world. Toby Hall is Chief Executive of Mission Australia, he’s got a corporate investment banking background.

Richard Spencer who is on my board at SVA has a very senior management background before he became Chief Executive of the Spastic Centre. So I think there is much more cross-fertilisation across the sectors at a management and leadership level. There needs to be a lot more of it but I think that’s happening, that’s evolving.

David. So that’s one of the key to have people who have come from the business world either at a board level or within your organisation who instinctively know how to re-engage back with that world again?

Michael. Yes, yes.

David. One argument that comes up sometimes is that it is more the role of government to look after the disadvantaged. I think earlier you said that it is not really about responsibility it’s more about an understand that it is just a healthy thing to do and that it also has intrinsic benefits for a corporation.
**Michael.** There are also areas where government struggles to innovate, and that is a significant part of our charter to find programs that are innovative and smart and practical. If you’re the Federal government that is delivering $70-$80 million worth of services then it’s hard to disaggregate and identify and cherry pick and support the little ideas and find those little nuggets of social innovations that sprout and have a social impact. So I always think there will be a place outside of government for corporate involvement.

In the same way as with the commercial world there is this process of innovation and creative destruction where a new company with new technology and moves in to replace something that's been there before. I think the same logic applies in this sector. There are new ways of doing things and ideas that can be replicated and should be encouraged, but you can’t reasonably expect a big behemoth like government to do that, albeit it can be a partner but to spawn that is difficult for government.

**David.** And Michael as an organisation you do go in to pitch to corporates to get their dollars, to get their involvement, to get their expertise, staff time or whatever. In a couple of sentences what’s the main thrust of that pitch when you walk into the crusty CEO that has other things on his mind of her mind?

**Michael.** The pitch is pretty straightforward at two levels. One is in terms of the funding allocation. We would identify things that we think are innovative social programs where there is an accountability link and we don’t want your donation, we don’t want you to give us money, we want you as a social investor. So unless we can identify things where there is accountability and transparency in terms of the footprint the potential investor is leaving then, we can’t support them. So that message of accountability is one which resonates.

The second thing is with the leaders of the organisation where we are interested to get them to connect head and heart, to find ways to use their business and left brain skills in organisations with passion and vision, the kind of structure and discipline that we see in the business world to help them achieve the social footprint they are capable of. We run very effective mentor programs where we want leaders to get involved to get them to connect head and heart by getting involved in organisations where there is passion and vision but not necessarily the structure and discipline that the business world is used to. To help outstanding organisations to grow and achieve scale is our social investment message. It is profoundly about partnership across the two worlds.

**David.** Do you see any trends developing? The business world becoming more compassionate? The non-profit world becoming more professional in their engagement process?

**Michael.** That's exactly the whole point of what we do, and where it works it works powerfully for both parties. And we see that from the mentors saying that they arrived thinking that they could use their business skills to help fix that non-profit organisation. And you talk to them a few years down the track and they will say that they are proud that they have been able to contribute something but it has been so much more than they anticipated. They see themselves differently, also in terms of relationships with family, with workmates, in some cases profoundly differently because of the experience that they had.

In many cases because of what happens is that if you’re running a non-profit organisation and you’re at the service delivery end and it’s in a tough area, dealing with kids at risk or people having a mental disability you’ve probably got quite a few relationship skills that are pretty unique. And those are valuable and transferable. Again it’s that message of head and heart, passion and discipline that creates some pretty extraordinary partnerships.

**David.** So apart from going and asking for something from the corporate world, do you should consult to them as well or is the benefit for them more a by-product of their engagement with the non-profit world that you have facilitated?
**Michael.** It's more a by-product. There are a lot of people out there selling transformational leadership programs and how to do CSR. We are less interested in that, more interested in practical outcomes doing something constructive, allocate their funding in ways where we can demonstrate a greater social return or not.

**David.** I have a selling background before moving into general management and the nub of selling really is don't go in there describing a product, go in their uncovering need. “So Mr CEO what keeps you awake at night, what are your three to five year objectives etc.” and it's likely that the response is that we're having trouble differentiating ourselves from our competitors, our product is being commoditised, our staff turnover is too high or whatever.

And then of course you have to have something to put on the table to further the proposition that we might be able to work together to further the aims of both parties.

**Michael.** Look at the work done out of AMP which tracked the performance of ethical listed companies over three to five years that suggested that they had modestly outperformed the index. Stuff like that and at PWC with the retention staff. But the big four accounting firms all have foundations so it's hard to say.

I certainly saw some quantitative and qualitative data when we did a program at Dimension Data which is a billion dollar IT corporation. Steve Nola is Chief Executive and I’m on their advisory board but he would say that it was instrumental in them being plastered over the front page of BRW saying they were the best services company in Australia.

But how do you convert that to being linked to eight or ten of their leaders including Steve and board members going through a mentor program. In one environmental organisation that we work with the company has changed its environmental footprint by getting involved in our programs and the Chairman rolled up his sleeves and got involved but how do you quantify that?

**David.** There is an old expression that 50% of all marketing dollars are wasted. We just don’t know which 50%. And so perhaps there is no greater vagueness around the results of an investment from a corporate social responsibility perspective than there are any other marketing initiatives within an organisation?

**Michael.** The people running the foundation at PWC, Rick Millan and Kathryn Wightman-Bevan are people to talk to at PWC about there results.

**David.** You’re aware of the topic that I’m delving into. Any other thoughts on this area? Where to from here? Do you see this as something that is growing and developing or more of a cycle rather than a trend?

**Michael.** I think this whole area is just exploding and I am absolutely confident that there will be exponential growth and change that reflects that and we’ve seen that ourselves. In terms of quantifiable measure the level of funding for SVA has grown from 8 million at the start of the year to 18 1/2 million. There are great opportunities not just for us but anybody that wants to get off their backside and engage.
**Interview 7 - Denis Tracey** (Tracey 2007).

Deputy Director of the Asia Pacific Centre for Philanthropy and Social Investment, Melbourne.  
Lecturer, Faculty of Business and Enterprise, Swinburne University of Technology, Melbourne.  
Category: Relevant Association  
Interview recorded In Melbourne on 14th August, 2007

Some of the key comments made during the interview were:

**Personal Motivation**

‘…if you are going to be a financial investor of any sort you will probably want to go to university and learn how to do it, but if you are going to be a social investor surely there should be the same opportunity, particularly as social investing is probably harder than financial investing’.

**Motivation for Business**

‘…they might describe it as just a fad or some sort of blackmail by unions or non-profit do-gooders and then refer back to the Milton Freedman view’.

‘…you can always do the right thing for the wrong reason’.

‘Does a company have any business in being altruistic?’ I think probably not.

‘The four mainstream banks all do it well’.

‘Resource companies take this stuff very seriously’.

**Benefits for Business / Return On Investment**

‘And the answer to the question ‘what is Baker’s Delight getting out of it? Is that it gets its soul!’.

‘It's hard to measure. But you know when it's there’.

**Future Trends**

‘Their view is ‘we’re doing God's work. You're bastards. So give us the money and go away and let us do God's work’. Well that's the old-fashioned philanthropy; just get the money, give the receipt and move on. The more modern, and, in my opinion thoughtful and preferable model, is one where a partnership exists such that both sides get stuff and both sides give stuff and it goes on for a long time…’.
7. Denis Tracey
Deputy Director of the Asia Pacific Centre for Philanthropy and Social Investment, Melbourne
Lecturer, Faculty of Business and Enterprise, Swinburne University of Technology, Melbourne
Category: Relevant Association
Interview recorded in Melbourne on 14th August, 2007

Digital recorder turned on at this point after some initial preliminary discussion.

Denis. .....some see market based capitalism as the best system that mankind has ever invented. They believe in the primacy of the market place and they would have some misgivings about corporate social investment, they might describe it as just a fad or some sort of blackmail by unions or non-profit do-gooders and then refer back to the Milton Freedman view. There may be other people that would express this view, but not many, and I think you'd find the Institute for Public Affairs, the IPA and John Roskam, as I say is the Director, would be the most articulate and sensible proponent of it so that would be worth exploring.

I interrupted you before, after I asked you what line you were pursuing with your thesis.

David. Basically I think the best way to answer that is to talk about my motivation or why I’d put in every weekend for the next three years or whatever in writing this thesis. I spent a chunk of my life in the not-for-profit sector and I spent a chunk of my life in the business world in corporate life, largely coming from a sales background. I’m the Australian General Manager of a Japanese company called Konica Minolta. They make office equipment and products like that.

When I turned 50 years of age, 3 years ago, I thought I’d like to put the two halves of my life together, part of it spent in the business world and part in the not-for-profit world, and make a little bit of sense of what had been these two disparate arms to my life. My rationale is that I thought that I could carry some hard-core commercial messages about corporate discipline and so on into the not-for-profit world, may be to some good effect, and potentially the other way as well, that is to bring a bit more compassion and heart into the business world.

So the thesis is to some extent an attempt to see whether there may be a fit between some of the principles of each of these sectors. This potentially has application when a not-for-profit approaches a crusty old CEO to see if they can get some money out of them, then instead of just spending the time describing themselves such as ‘we help street kids and we’re under funded’ to take a commercial selling approach and spend 25 of the 30 minutes asking them about their needs and objectives and challenges and ‘what keeps you awake at night Mr CEO?’ and then seeing if there is any fit between the two organisations. This could be by hearing that the business challenges are around not being able to differentiate themselves from their competitors, not being able to attract good graduates or retain staff. What can then be offered up as a possible solution is evidence that shows that corporations that engage strongly with the community do better in those measurements. So I’m looking to compile that evidence.

Denis. Good, so there’s a book in it.

David. Well possibly. Alex Kouzmin, who is my Supervising Professor, suggested I ring Melbourne University Press. So I did and broadly described what I was doing. They said ‘that’s right up our alley. Now finish your thesis and then send us a couple of the of draft chapters’.

Denis. O K.
David. Well before we go too much further can you tell me a bit about the Centre?

Denis. Well firstly can you let me know what are you going to do with the transcript?

David. Typically I use the weekend to write up the interview. I need to seek a little bit more advice through my supervisor but my intention would either be to have some or all of the transcriptions appearing in the appendices of my thesis. But principally I'll be looking for the relevant material covered in the interview to put into the body of my research, so pulling bits and pieces of it out and attributing those comments, for instance in this case, to you. For instance if there was a passage about what should the involvement of government be versus the corporate sector in helping the underprivileged well when I'm writing about that I'll be weaving those comments from the interviews in.

Denis. Do I get to see the transcript before it's actually published?

David. Absolutely. As soon as I've finished the transcription I can send it to you and in fact I also need to send you a copy of your signed consent form as well.

Denis. Yes, well as a member of the ethics committee I'd really better make sure we do all that business.

David. When I first came into your office we sort of just launched on into our discussion. I really should complete all of these formalities properly before we go any further, even though I sent several attachments to you with the request for the interview. Some how I got off track and didn’t go through my normal sequence. I'll turn off the recorder and let's complete all the paperwork now.

So the Asia Pacific Centre for Philanthropy and Social Investment?

Denis. Well we were set up five or six years ago by my colleague Dr Michael Liffman. His background was that he had spent fifteen years or so as the CEO of the Myer Foundation, which is one of the largest family foundations in Australia. After he moved on from that it occurred to him that there was no university in Australia which taught people how to make grants, how to be grant makers, how to give away their money strategically, effectively.

He is fond of saying ‘if you are going to be a financial investor of any sort you will probably want to go to university and learn how to do it, but if you are going to be a social investor surely there should be the same opportunity, particularly as social investing is probably harder than financial investing. It’s certainly harder to measure the results, the outcome, the impact that you have.’ He invited me to join him. My background was in managing various not-for-profit organisations and here we are.

We teach, we research, a little bit not much, and we consult in the field, mostly in the field of grant making, how to give away your money, time, resources, in a way that's going to bring about the identified outcomes that you seek. This applies to both individual donors, social investors, families and corporations.

David. It's not in any way limited to bequests then Denis?

Denis. It's certainly not. If anything we would urge people not to make bequests but to give while they're still alive so that they can see the outcome of what they're doing and be engaged in what's happening. Social investment is sometimes referred to as the venture capital of philanthropy, and the term implies a process of rather than finishing when the cheque is written, it begins when the cheque is written. Successful and thoughtful social investors tend to behave a lot like financial investors. That is, they have a specific outcome in mind. They have measures to see whether things are progressing as they should. They have an exit plan if it doesn't work. They often give a lot more than money, of their time.
David. So there's an engagement in the project by the investor?

Denis. Sometimes, not always. In the field that you're interested in I heard an interesting statement the other day by a man called Derek Linsell, who has a background with the Salvation Army. Until recently he was a consultant in this field working with Medicare, and is now the director and CEO of the AFL foundation. So that's an interesting job. And he said that he is sick of trying to form partnerships between corporations and not-for-profits because the not-for-profit sector just doesn't get it. Their view is ‘we’re doing God's work. You're bastards. So give us the money and go away and let us do God's work’. Well that's the old-fashioned philanthropy; just get the money, give the receipt and move on. The more modern, and, in my opinion thoughtful and preferable model, is one where a partnership exists such that both sides get stuff and both sides give stuff and it goes on for a long time; at least as long as it can usefully do so.

David. And Dennis is that where you draw the distinction between philanthropy and social investment?

Denis. Yes it is. I don't think there's any clear or universally accepted definition but a nice analogy I think that I could borrow from Michael Liffman is that it's preferable to put a fence at the top of the cliff, rather than an ambulance at the bottom. The ambulance at the bottom would be philanthropic but the fence at the top would be an act of social investment. So rather than companies forming partnerships with a not-for-profit, he would rather that the company built its own not-for-profit within its corporate structure and did stuff that way so that it could control it.

David. Do you know any examples of this?

Denis. Medibank has done something of the sort. The best example of corporate responsibility that I know, and I was going to save this until later, but as you've raised it now, is a partnership between Bakers Delight and The Breast Cancer Network.

Bakers Delight is a seven or eight hundred branch conglomerate headquartered just up the road here. It was founded by Roger Gillespie and his wife Lesley. Most of the seven or eight hundred shops are franchised but a few are company owned. Five years ago they ran into a woman called Lyn Swinburne, who was a descendant of the guy that this university is named after. As it happened Lyn played in a netball team with Leslie Gillespie, and they met up at a party. ‘What are you doing?’ Lyn said she had had breast cancer and had recovered and survived and had set up a thing called the Australian Breast Cancer Network to spread information about the illness and so on and provide support.

Says Roger, ‘that's interesting. Is there anything we can do?’ Said Lyn ‘as a matter of fact there is, because we need an office’. ‘Oh’, says Roger ‘we’ve just moved into a new corporate headquarters in Burwood Road Hawthorn. You can have a corner office’.

Since then the two of them have grown the partnership - but it's not a partnership which involves the company giving some money or resources to the struggling mendicant, social not-for-profit organisation. The two of them are real partners. The Breast Cancer Network shares offices in the corporate headquarters and its computers and its telephones and its infrastructure are handled through Baker's Delight and it has access to Baker's Delight's seven or eight hundred outlets all over Australia. Wonderful.

Now one can try and evaluate what each side is giving and what each side is getting and it's quite easy to work out, to do some arithmetic, to work out how much value there is for to the Breast Cancer Network in terms of money or expenditure forgone and access to a wonderful distribution network etc. etc. Roger Gillespie, who I know quite well, says he hasn't done it, maybe he hasn't but some accountant might have. What's much harder to work out is what Baker's Delight gets out of the arrangement. And when they started they didn't know what would happen, they just thought let's try it. It's a good thing to do, let's try it.
And five years on they’ve realised that it’s the most wonderful thing because almost all Baker's Delight staff are women, most of the customers are women, who almost certainly will have had some contact with breast cancer.

At their annual corporate retreat they talk about new lines to introduce, sales techniques, and this and that, but the one thing that gets everybody going are the stories about what they have done for the Breast Cancer Network. And the answer to the question ‘what is Baker’s Delight getting out of it? Is that it gets its soul! It's hard to measure. But you know when it's there.

And when Roger is talking about this, and he describes how his people at this conference had tears in their eyes when they talked about what they’d done. Roger has tears in his eyes when he talks about what the company has done. It is very moving stuff. And they get case studies about women, who have survived, on how they benefited through the partnership with Bakers Delight. And this is very good use of the Baker's Delight shops. It certainly differentiates you from the other baker's shops.

David. Anecdotally I would say, given that there’s one right near where I live, that they don’t make enough out of the partnership. They don’t blow their own trumpet enough.

Dennis. Some do put posters up. The next time you’re there have a look, talk to the people. Anyway that’s the best example of a partnership because it implies a real partnership where as partners both sides give, both partners get. Compare that with something that Westpac might do. Westpac does wonderful stuff like in Cape York and so on. But no one would suggest for a minute that Westpac and the highly disadvantaged aboriginal communities are equal partners. Possibly this case is extreme. But it seems to me that the real issue in corporate social responsibility, one I think people don’t pay sufficient attention to, is that it’s the difference between the way public companies and private companies go at it.

David. Do you think the ground rules have to necessarily be different?

Dennis. Yes of course they do. A public company lives in the public eye. Shareholders make nuisances of themselves at the annual general meeting and they get written up in the Financial Review. A proposal to Westpac as a public company on some sort of corporate social partnership goes through committees and eventually if it’s important enough to get to the board at any stage it might fail for one reason or another. But sooner or later the accountants will have a crack at it and ask ‘so what's in it for us’ and are not too interested if you say ‘it's good for our soul’. They’ll say ‘show us the money. How do we make more money out of this’. So it is a difficult course. Sometimes it gets through and sometimes not.

The privately owned company, as it might be, Baker's Delight or Richard Pratt's company or James Packer's company, although it is a public company is dominated by a family, sounds or if it's the corner fish and chip shop, if you get to the decision maker you can get them inspired. Although more haphazard, more hit and miss, it might work, it might not.

So if Roger Gillespie comes home and says 'look today the company gave a million dollars to the lost dogs home', his wife may say ‘your mad’. But if Westpac or BHP gives a million dollars to the lost dogs home people at the annual general meeting will say 'what did you do that for because it's our money'. The people who every year win the Prime Minister’s Community Business Partnership are banks and resource companies. Are they the most responsible companies in society? I don't think so.

David. Do you think its because at various times their reputations have been the poorest, as in bank bashing and mining companies being seen as trampling over aboriginal lands etc?

Dennis. Gee, it just might be! It might also be that they’re wealthy enough to be able to do what they're doing and also wealthy enough to be able to publicise what they are doing. Also they are national and can do things on a far bigger scale than anyone else. I’m absolutely not cynical about this, at least not unduly cynical because there are good people in companies who want to do good things, for a whole variety of reasons.
But it’s true that in your submission if you were writing your submission to the board of BHP or Westpac you would say that from time to time there are disasters and it’s probably inevitable that there will be disasters again and anything we can do to build up our corporate good reputation is a good idea. It might save us from being bashed up if we are caught polluting the river or evicting some farmers.

David. Yes, I guess that's the issue of reputation in society and potentially a negative backlash if you don't do something. Do you think there is any problem with a large profit-making organisation enhancing its reputation, and potentially its bottom line, because of the engagement with the disadvantaged, leveraging off this?

Dennis. No, you can always do the right thing for the wrong reason. My partner is a fund raiser for an intellectual disability organisation and she quite often talks about the notion of accepting money from a tobacco company. Would you accept money from a liquor company? Would you accept money from a landmine manufacturing company? Would you accept money from the Mafia? And her attitude is ‘absolutely’. Just give me the money and I will do good with it. I’ll cleanse it.

David. James Hardy getting bashed up in the press and wanting to write a cheque from a million bucks?

However one thing that has come up in interviews is that people don’t have a problem in the world with that, as long as there is an open declaration as to why they're doing it and the company doesn't claim that their motives are altruist.

Dennis. Who cares! What they claim is their problem, is a problem between them and their shareholders and their souls and their clients. In other words it may offend you dreadfully to accept money from tobacco companies but if you will do good for your client’s that enables you to buy a bus that you didn’t have before then…. On the other hand Peter Singer, you know the ethicist, says that you should look at the net effect in ethically tricky situations and if the net effect is going to be damaging to your organisation, then don’t do it, as best as you can predict. If the net effect is positive for your organisation then do it.

David. Next week I’m interviewing Dr Simon Longstaff from the St James Ethics Centre and I’ll canvass some of these issues with him.

Denis. I’ll be most interested to see what he says. Yes he’d be the guy.

David. Staying on the Peter Singer theme for a moment. He came out recently and said that he felt that in an affluent western society the old-fashioned practice of tithing is appropriate and in fact that rather than 10% people should give 25%. Any thoughts around the notion of an obligation for people who are comfortable or well off, and the extension of this is as it would relate to companies?

Dennis. I finished a graduate diploma in theology last year. I’ll print a copy of an essay I wrote called How Christian Ideas Influenced Corporate Social Investment in Australia, which might have some interesting stuff for you. I met a bloke, two brothers called Keith and Barry Fagg who run a hardware shop in Geelong.

The third or fourth generation of the family to run this business which started as a blacksmiths in Geelong. It’s a huge shop. One of them is a committed Christian and the other is not, although the family is mostly Christian. When I talk to them about this they clearly differentiate between their personal giving and their corporate giving. The corporate giving is designed to help the business in Geelong by helping things that go on in Geelong like the Geelong Footy Club.

In their personal giving they support overseas organisations and they wouldn't do it vice versa. As individuals might or might not support the Geelong Footy Club but they also support overseas aid agencies where the company wouldn't dream of doing that. I was impressed because they’d worked it out quite well what was what.
David. So the company wouldn’t support overseas aid agencies because they couldn’t see a return on investment?

Dennis. Yes, there is no reason for the company to do it and that isn’t to say that if something like the tsunami happens you don’t respond. The tsunami is a terrific example because the rules just went out the window and there became this sort of competitive giving as the scale of the thing became apparent over Christmas and blah, blah, blah and companies just out did themselves. It was a once in a lifetime situation.

David. Was it so high profile because it was on our doorstep, because it’s not infrequent that there are catastrophes of that magnitude or floods in China?

Denis. I think the things that did it were these. One it was at Christmas so there wasn’t a lot in the media and this just dominated for days and days and days.

David. And people’s hearts were a bit more open being Christmas?

Denis. Absolutely. Second, it was close to where we live. We play cricket in Sri Lanka and India. We’ve all been to Thailand and Indonesia. Thirdly there could be no suggestion that the people could have in any way contributed to their misfortune. Unlike say with AIDS, where there is a view, which you might or might not share, that the people who get aids have to some extent behaved foolishly or people who are alcoholics or are homeless. But that couldn’t apply. It was as pure an act of god as one could imagine. So that there could be no moral compromising about it.

All those factors combined to make it an irresistible cause.

David. Denis, you mentioned Westpac a little earlier. At the end of a CSR conference I was able to ask David Morgan about the commercials that they had been running about the equator principles as being a marketing strategy and whether they look for a return on their investment.

He then clearly stated that he could look any shareholder in the eye and say that he was spending their money wisely and went on to say that their were tangible benefits for the bank and society. So they stand out to me as one of the case studies I should do. With your experience can you think of any other companies that you think engage particularly well with the community?

Denis. Visy is worth talking to. Bakers Delight is worth talking to. The four mainstream banks all do it well, they’re all good at it, albeit Westpac leads the way. Shell do it very well. I attended a talk at which they talked about their involvement with African nations.

David. I think they’ve had some pretty bad press in the past regarding their actions in that part of the world.

Denis. Yes and they talked about that. So resource companies take this stuff very seriously. If you were going to talk to the Macquarie Bank one of the things I’d ask them is how much you give. And I believe the answer will be $10,000,000.

David. A quarter of one director’s salary.

Denis. I’d say ‘how dare you!’ I think one could be quite confronting to Macquarie Bank as to why they give so little. Speak to what’s her name who runs their foundation?


Denis. And her honest answer will be well that’s what they give me and I’d like it if they gave me more. So you need to speak to Alan Moss, but you may not get to see him. But it’s a fair question ‘you are making so much. How do you justify giving so little back?’
David. I went to another CSR seminar hosted by Clayton Utz, the law firm at which Michael Hawker the CEO of IAG spoke. The managing partner spoke about how they do lots of good things but don’t tell anybody and Michael Hawker said they did lots of good things and tells everyone. I found their opposite positions quite interesting.

Denis. Look is there such a thing as altruism? Does a company have any business in being altruistic? I think probably not.

David. I interviewed Dick Smith and he said that he didn’t know the meaning of the word ‘altruistic’. He said he gets an enormous amount back from his giving but that it was like this was a defined amount that could come back as either fulfilment, notoriety or some combination of both, but if there was considerable notoriety then this lessened the personal satisfaction. He said he got a quantity of satisfaction for the quantity of giving he was involved in but it’s definitely not altruistic.

Denis. That’s interesting. You’re really touching people where they live. Clayton Utz may not blow their own trumpet but may be appealing to a different market, possibly their own employees. One of the things that you might have talked about to Clayton Utz is ‘that CSR is not just about what you do with your money but also how you make your money and how do your CSR programs square with your actions in the Rolah McCabe case. That was the case where they acted for British Tobacco and Rolah McCabe was dying of cancer and she sued British Tobacco. The McCabe side had won the case and British American tobacco’s case was struck out by the judge because Clayton Utz had destroyed a lot of documents and so the discovery process was damaged.

Now the decision was over turned on appeal. Never the less there was a view around about that Clayton Utz were acting in a questionable manner. So one of the things a pitiless interviewer might ask is ‘you’re doing good works in society but acting for tobacco companies and playing fast and loose with legal ethics. How does that square?’

David. I guess there are two things there. Second guessing their response to the first, they might say that everyone has the right to legal representation. I think the destruction of files is a very different matter.

Denis. There is a continuum of ways which companies interact with society. At one level is charity and then you move along and you come to sponsorship. And then you move along and you come to cause-related marketing and then just ordinary marketing, and at this end it’s just advertising. And I think it’s interesting to ponder at what point on the continuum an activity fits. And some times it’s quite hard to tell. I think quite often the company doesn’t know either. An interesting case in point is the Westpac helicopter. Is that philanthropy or advertising. And the answer is probably that it’s both. But they don’t maximise the advertising. So what’s going on there?

David. Then there is the pink bottle tops on Mount Franklin mineral water bottles.

Denis. Are you talking to Hayley Cavill?

David. No, however I think she wrote a paper on volunteering and studied twenty corporates and twenty not-for-profits.

Denis. Cause related marketing is what she’s best at. Have a look at her web site, its called Cavill and Co I think or Cavill plus Co. Just Google her. I’ll go and get the paper I mentioned that I sent to the printer before and introduce you to Michael Liffman. There’s also a good guy here in Melbourne called David Morowitz who spends money to dig wells in Ethiopia. He goes over there from time to time to have a look at the wells and just loves it. A well costs him $10,000 or so and he does as many as he can afford.

It’s a lot more fun to do that than give money to the St Vincent De Paul Society but different people prefer different things. There you go, more homework, more stuff to read.
Interview 8 - Dr Simon Longstaff (Longstaff 2007b).

Executive Director, St James Ethics Centre.
Category: Relevant Association
Interview recorded in Sydney on 24th August 2007.

Some of the key comments made during the interview were:

Corporate Responsibility

‘The corporate responsibility practices of the company are a proxy for superior management of the company’.

Motivation of Business

‘So one risk is that you won't attract and retain the kind of people you want. One further risk is that your customer base may become more cynical about the way in which you operate…’.

Benefits for Business / Return On Investment

‘They talk about the reduced costs, about reduced turnover of staff, about investors who take an interest in these things. They talk about lower costs they speak about all these things as being consequences of management practices around this area’.

Cause Marketing

‘No one will trust you. Your commitment will be so shallow to whatever it is you do, that you have no commitment in fact for doing anything for its own sake, only if it is a means to improve your bottom line’.

‘…although there’s quite compelling evidence to show that you can generate a dividend if you do it well, the paradox is that if you do it for the dividend, you don’t get the dividend’.

Future Trends

‘Probably the major trend has been a growing awareness by business of the importance of the integration of its corporate responsibility agenda including its social responsibility into and across the business’.

‘I also think there's been a change now in that a number of businesses are choosing what to invest in or what to give their money to. A much more critical view of what is in alignment with their purpose’.

Advice

‘Corporate social investment can be done for altruistic reasons but it is more likely to be successful when done in a way which builds capacity within the organisation or individuals. So you are investing in the capacity to make change, to make sustainable change to address someone's life issues’.
David. Simon, I’ve obviously done some preliminary research from your web site and have been aware of the work that you and the St James Ethics Centre have been doing for some time now. However, could you please just take a moment to give me a high-level overview of the work that the St James Ethics Centre has done around the Corporate Responsibility Index.

Simon. OK, well the St James Ethics Centre is an independent forum which does a number of things of which its work in the area of corporate responsibility is just one element.

It first began this work, which I think was the first thing to be done in Australia, it was a project, in what must have been about 1993, or ‘94, and from that it sought on various occasions either to stimulate further engagement by business around the whole corporate responsibility agenda or to engage with companies in the creation of some kind of tool by which things could be measured.

We spectacularly failed on a number of earlier occasions, for a number of reasons, but having been tangentially involved in one of the earliest indices, which is what was known as the Corporate Reputation Index, which was an initiative of the Fairfax Press, a process from which we had withdrawn because of ethical concerns, we were subsequently drawn back into that general area in a more complete way following our development of a relationship with an organisation in the United Kingdom called Business In The Community.

Business in the Community had developed over a period of time a tool called The Corporate Responsibility Index which amongst other things looks at four key areas of activity. The engagement of business with the environment, with its workplace, with the community and with the marketplace. It was a distinctive tool in rather than seeking to generate information primarily for the benefit of third parties it started off with the objective of generating very useful information for management and board’s of businesses so that they might specifically drive improvement in their performance in a way that allowed the broader community to make assessments regarding the business’s progress.

So having discovered that tool and developed a relationship we worked with Ernst & Young and the Sydney Morning Herald and the Age to introduce this into Australia. For three or four years it has been operating in this country as a voluntary tool by which business can measure its performance and report to the community.

David. OK, thank you. May I ask, over those three or four years, that you have conducted the survey, what trends have you detected?

Simon. Probably the major trend has been a growing awareness by business of the importance of the integration of its corporate responsibility agenda including its social responsibility into and across the business. You can look at various blips up and down in terms of performance against particular elements of the index, and I can’t put my finger on individual ones at the moment, but the more important thing is that rather than seeing the broader agenda as something which you addressed by bolting on programs as extrinsic elements of the business and its operations.

There has been a progressive growth in understanding that if you are to be successful in achieving your objectives within business and bring about real benefits to the community in which you operate, then the only way to do this is to integrate and make it part of your business and not just part of your business as a tool for improving financial performance but actually a part of the way you go about doing your business across the whole spectrum of relationships.
David. Under that term ‘importance’ you mention both importance for the corporation and for the community. What happens if an organisation doesn't see it as important and doesn't engage with the community?

Simon. Well, it is at risk that it will fail to attract individuals with talent to work for that organisation or that it will fail to retain them. There is increasing evidence that younger people, and in fact not just younger people, looking for a potential employer, will not only assess the employment opportunity in terms of the terms and conditions they might receive as an employee, by way of remuneration and other things, but they will also have, as an integrated part of their engagement with a prospective employer, concern to know what is the corporation's policies and practices in terms of engaging with the community in which it is located or where it operates.

So one risk is that you won't attract and retain the kind of people you want. One further risk is that your customer base may become more and more cynical about the way in which you operate, because even if they are treated consistently in a manner which they think is appropriate, then their natural scepticism, and at times outright cynicism, will cause them to look at the corporation's conduct in relation to a number of other groups, and if they spot any degree of inconsistency then they will conclude that the good customer relationship, that they experience, is merely a product of spin or some kind of a false characteristic, because they will notice other relationships, equally important, have been quarantined as being less deserving of that kind of attention.

Therefore they will say that if they don't really treat everybody like this the things they say to me, the experience I have, is just selective.

The third thing you probably have for businesses that don't do this is that they will have increased operating costs, relative to their competitors. For example if you are a wasteful user of energy, or if you fail to build a society which has strong social capital, your own efficiency is likely to be decreased as a consequence of that. And finally brand reputation risks which become harder and harder to manage because you squander social capital and people are less likely to give you the benefit of the doubt. So there are a whole lot of reasons.

However, against that, you might be Selfish Rotten Scoundrels Inc and you might just be lucky enough to attract a series of investors, employees and customers who just love taking the risk of dealing with Selfish Rotten Scoundrels, and you might find yourself a niche within the ecology of business.

I should have said also that I think that not only do you face risks of not attracting and retaining employees that also investors are becoming far more interested, because they are beginning to understand, because of the way in which companies perform relative to others, that a company that has a management that has the capacity to deal with the complexity of the corporate responsibility agenda, is probably superior in its overall ability and will do better in the other things which are part of the core approach to business activity. In other words there are some signs that suggest that investors and fund managers look for a capacity in this area. The corporate responsibility practices of the company are a proxy for superior management of the company.

David. And the benefits of being a good corporate citizen, for want of a better term, those sorts of benefits that you talked about then are the sorts of benefits that are reported to you by some of the exemplar corporations in the index?

Simon. Absolutely. They talk about the reduced costs, about reduced turnover of staff, about investors who take an interest in these things. They talk about lower costs they speak about all these things as being consequences of management practices around this area.

David. One subset of corporate social responsibility is perhaps corporate philanthropy or corporate social investment. I draw a distinction between these two things.
This may not be strictly speaking exactly correct but the distinction that I’ve been drawing is that corporate philanthropy tends to suggest a degree of altruism, giving without perhaps a view towards a return on that giving, in other words it is not an investment. Corporate social investment, on the other hand denoting having a strategic intent behind that investment. So it may well be focused on benefiting the recipient but there is also an element of wanting to receive a dividend back.

Simon. I’d see it as being slightly different. Corporate philanthropy may be motivated by self-interest and it may generate some kind of return in terms of reputation and things of that kind. But what distinguishes it from corporate social investment in the former case, that is corporate philanthropy, you give resources of one kind or another to assist individuals or organisations to deal with, often to deal with the symptoms, of their suffering or distress or to help facilitate a particular outcome or sustain an organisation.

Corporate social investment can be done for altruistic reasons but it is more likely to be successful when done in a way which builds capacity within the organisation or individuals. So you are investing in the capacity to make change, to make sustainable change to address someone’s life issues.

So in both cases corporate philanthropy or social investment, a degree of enlightened self-interest might be present. The corporate philanthropist may say I’m doing this to enhance my reputation and I want something in return. We see some issue in society which may currently involve costs for us, we can see an opportunity in positioning ourselves or giving added meaning to our own employees or getting profile. So I think the altruistic self interested division between the two doesn’t quite work for me.

David. I interviewed a gentleman in Melbourne last week called Denis Tracey.

Simon. Yes I know Dennis. Swinburne University.

David. Yes, he’s the Co-Director of the Asia Pacific Centre for Philanthropy and Social Investment. He quoted a favourite saying of his fellow Director, Michael Liffman. He said that if you have a dangerous cliff then philanthropy is putting an ambulance at the bottom and social investment is putting a fence at the top.

Simon. Yes it’s a nice way of putting it. I also think there’s been a change now in that a number of businesses are choosing what to invest in or what to give their money to. A much more critical view of what is in alignment with their purpose. So there’s a far more conscious selection process than might otherwise have been the case in the past.

David. May I just pick up on that point. A couple of weeks ago I interviewed the CEO of the Australian Shareholders Association. I began by giving him a quote that a previous office bearer had made. It came from a section in a book that Dennis had written. That gentleman has now passed away, and the quote effectively dates back to about 2002.

Essentially it was that no Australian publicly listed company should give its shareholders’ money away. It is not an ethical thing to do. I asked him if that was still the position of the Association, and he said, no, things have moved considerably since then.

The next step really was that our position, as stated by the Chairman at the time, a different individual, was that it was appropriate to give the company’s money away provided it was given away to organisations or causes within markets in which that company operated. In other words where it was possible to see a tangible return on investment.

He said that remained their position up until the time that the tsunami hit. With that position in play, they started to receive death threats into their office. He said we realised that we were completely out of step with public opinion and our view now is that it’s fine to give the shareholders money away, wherever there is genuine need in society, anywhere in the world, even if the company doesn’t trade in those markets. Any thoughts around that whole area of company responsibility to shareholders versus other stakeholders?
Simon. Well this is an immensely complex question. Firstly it’s not clear to me that the money does in fact belong to the shareholders. A lot of this goes back to the origins of the limited liability company and the creation of the corporation as a separate legal person.

Limited liability and legal personhood of corporations both operate to provide to investors, to shareholders, an unnatural and extra-ordinary privilege in that you can invest a dollar in a company and your upside is unlimited but it doesn’t matter what goes wrong or what damage is done to the world at large, all you are liable for is the investment you made. Now the only way a democratic society could possibly infer such an extraordinary privilege is if in fact it believes that in doing so it will lead to an increase in the stock of common good. So investors stand behind the company and they don’t want the corporate veil to be pierced.

That means that the money that a company has is its money, and it may be under an obligation to distribute it back in the form of dividends or in the event of winding up, following creditors being satisfied, to ensure there is a distribution to shareholders. So I think it is arguable that it is not the shareholders money that is being spent in any case.

Secondly, even if it was, that privilege of limited liability, and all of the existence of social infrastructure which was bought into existence for their benefit, may very well suggest, that the company which is both an aggregation of their interests and their rights, if you take one view, has obligations which it needs to meet in the face of real suffering and distress.

Just as the individual privilege of the shareholder counts for very little unless they are able to aggregate their funds and privileges. So it is at that point of aggregation that some of the responsibilities attached to limited liability are themselves aggregated. So I think there is a much more complicated story to be told.

David. Do you see the obligations of a company as being any greater than say those of an individual who may earn a return on investing in fixed interest or negatively geared property or any other form of income?

Simon. Yes, because of the privilege of limited liability and the privilege of incorporation.

David. Because they’ve had those privileges bestowed on them by society?

Simon. Yes, because they’re non natural. It’s not as if god or nature has bestowed on the world a thing called the joint stock company with limited liability. These are things which are entirely contingent on society’s will that it be so, and contingent in the sense that they could be removed in an instant, should the legislature choose to repeal the Act. Since all these have been brought into existence within the framework of democratic society where the legislature is simply not allowed to prefer the interests of the few over that of the whole, the only basis on which those privileges can be sustained is if you continue to maintain a belief that on balance they work for the good of society as a whole.

It would be quite outrageous if a democratic policy was formed to create this privilege and sustain it knowing that it was only going to benefit a handful. How could you justify that? The history of corporations and their conduct since incorporation and these privileges being brought in.

By the way it took fifty years to bring in due to heated debate in the House of Commons where it was strongly opposed because of the moral consequences. The history has been that it probably has been beneficial on balance but that remains an active test and it is not without its own continuing obligations.

David. So that licence to operate could be withdrawn?

Simon. Yes, just like that.

David. Some of the tensions that have come out at some of the interviews are things such as whether to give a company’s funds away, and let’s say on this occasion it’s without any immediate or long-term prospect of a return on that investment.
Simon. So you decide to give to people with red hair who are sun burnt?

David. One which surfaces from time to time is the CEO giving to their pet charity to enhance their reputation but with little prospect of benefit for the company. Would you see a distinction between HIH Insurance donating money for a wing of a hospital which will be called the HIH Wing and Ray Williams, their former CEO donating their money for a wing which will be called the Ray Williams Wing?

Simon. Well firstly, the point that I would make is that whenever the corporation acts whether it be in respect of donations or investments or in any other way it should be informed by an explicit ethical framework which helps to frame all decisions whether you’re investing capital for productive activities or making a contribution of the kind you’ve anticipated, there should be a reasoned, ethical foundation for why you make the choices.

Now there are a range of things available for a corporation to include within the ethical framework. Although not always strictly obliged to act to maximise shareholder interests, because that is not an obligation that is even recognized in law, the obligation is to act in the interests of the company as a whole. The best we have in Australia of course is that in a change of control situation that may mean the shareholders. But we might have shareholders who want a dividend, are very clear about it, but the directors may be bound not to pay a dividend as it is better for the company not to pay a dividend and reinvest them in the interests of that company is whole.

Even so you might say that although you’re not obliged to do this, you feel ethically compelled to make prudent contributions to charity or investments in social infrastructure and you might do this partly because you say ‘if we do this its good’ but to make sure its sustainable we don’t just embark upon this kind of irrational spending spree which threatens the overall viability of the company. Because there is no room for an apparently responsible corporation running itself into a wall because it’s not well managed and sustainable. If you can do good today, owners should be able to do good tomorrow and the day after rather than just in one splurge now.

So I think the individual director or manager whose reason for contributing is because it is good for them personally, fails are very important test. In terms of whether obligations ought to be directed towards the company and not their own interests. The point that you raised I think, if a company believes there is some value in doing something and it secures the benefit then that is better than a single individual CEO wanting to use company funds to advance his personal interests.

I can see no justification for that. In fact if anything it is quite improper. The better thing to do in this case would be for the company to make funds available, or other resources, and be recognized as the contributor. And if the CEO or other senior managers or board members want their names personally attached to acts of benevolence then they should use their own resources.

David. Do you see anything wrong with companies engaging overtly in cause marketing or it’s been called ink marketing, where they actually gain a financial advantage by leveraging off their association with the disadvantaged?

Simon. There are a number of possible problems with that, and one is the potential for exploitation in which those who are the recipients become merely used as a means to some other end. It could violate a fairly fundamental ethical principle, that of respect for persons, where it is necessary to recognize the individual as intrinsically valuable, and we have a prohibition on using others just as a means towards an end, and especially so if they are in a vulnerable position.

So if you only provide money to children in an orphanage so that you can put them on your company tee shirts or use them for an advertisement, and this is something they wouldn’t otherwise freely choose to do, but do so only because they know its necessary to continue to enjoy your largesse, then its exploitation of the worst kind. It would be an ethical violation.
But there's an equal, and I think perhaps more interesting paradox to be had out of this whole area of corporate responsibility, and that is that although there's quite compelling evidence to show that you can generate a dividend if you do it well, the paradox is that if you do it for the dividend, you don't get the dividend.

The reason for that is that there is often confusion between the notion that you do something because it's going to have a good result for you; well let me give you an example of how this works.

If I asked you 'why is murder wrong?' You would not say that murder is wrong because the police will investigate you, arrest you and you'll be prosecuted and sent to jail. You are more likely to say that murder is wrong because it is a violation of the law and the right to life. All these really bad things happen as a consequence.

Well the same thing is true in relation to corporate social responsibility. It's not right because it generates all of these fantastic results like employee benefits etc. it's right because there is some intrinsic reason for it, but you can reasonably rely upon those consequences to flow because the research show that they will.

Now this particular thing becomes very important because if one of the keys to generating success from a program of corporate social responsibility is that you attract and retain employees, then you need to be able to say to them that there are reasons for you doing these things that go beyond self interest.

If you have a group of respective employees who are really bright and interested in joining your company and you say:

'Look, I run Simon Longstaff Incorporated and I've decided to show you our wonderful record in terms of community investment', and they say

'That's fantastic, this is just the sought of company I've been looking for' but then they say:

'Why do you do it?' If I said to them that:

'I do it for one reason, and one reason alone, and that is because it's good for the bottom line', then they'd be gone. Because the then smart ones would say:

'Does that mean that if you can improve your bottom line just a little bit more by faking all your commitments, then you'd be rationally committed to doing that?'

'Yes' I'd say.

'And if you could find a way to take advantage of us and treat us badly, get away with it and improve your bottom line just a little bit more then you'd be rationally committed to doing that?'

'Yes', I'd have to say again, for the reason that I'm motivated by improving my bottom line.

So, the trick as I say is to recognize that the benefits of doing this are real but they will elude you if that's the reason why you do it.

David. And they'll elude you because of the response of those that detect that rather than...

Simon. No one will trust you. Your commitment will be so shallow to whatever it is you do, that you have no commitment in fact for doing anything for its own sake, only if it is a means to improve your bottom line.

You might get to the point where you think you're smart enough to get away with all sorts of duplicity which rationally you would be committed to if the only reason you do something is because it's good for the bottom line.
David. What about looking at it from the point of view of the recipient organisation. Charities doing fantastic work, helping their constituency; the old chestnut of should they take money from a tobacco company, should they take money from a landmine manufacturer, should they take money from the Mafia? Given that they will do good with it.

Simon. At the St James Ethics Centre, we will not take money from a tobacco company. But that's about the only thing we won't take money from. This is because our assessment is that tobacco is unique as a product in the fact that it will always and everywhere, damage people no matter how small a proportion of the product is used. There has been a history of companies manufacturing in this industry who have been dishonest in the way they have gone about doing it.

They would say they didn’t know something in evidence before US Congress, only for it to be discovered that their own scientific research gave clear evidence.

So you have a fairly unique combination there of product that can’t be used to any degree safely plus the companies themselves in the past in terms of what they’ve done.

Now gambling, you can gamble in moderation and not be harmed. Alcohol you can drink in moderation and not be harmed. In fact the practice of gambling is reasonably innocuous from an ethical standpoint. All of the mischief around it is external to the act itself. Addiction to anything is a problem. Organised crime is a problem.

So I think you have to be prepared to look quite carefully at why you would include or exclude certain possibilities. But that critical scrutiny also needs to involve asking if the thing that we are committed to doing for us to exist as a not-for-profit, and our own sense of values and principles, are consistent with a relationship with a particular entity, even if that relationship amounts to nothing more than someone writing a cheque out.

So I’m a bit sceptical of the view which you quoted which is that once the money crosses the church door, or its equivalent, that it doesn’t matter whether it came from the Mafia of not that you can do good with it.

I find that a bit troubling because it seems to me that it fails adequately to address the fact that there are some acts so evil that no person should seek to profit from them. And to be honest I think even those people who are the recipients, that is the marginalized and the vulnerable, even at their most wretched state would draw a line at accepting money from some people.

So to use a really extreme example. If you were able to take, or let’s suppose that somebody found a stash of gold fillings forcibly removed from Jewish people in concentration camps during the Second World War, and they said ‘OK lets melt this down and were going to give it without any recourse to the Jewish people themselves of their families were going to make it available to German orphanages or perhaps something else; Afghani or Iraqi refugees’.

I’m trying to think of something so horrible that people would not won’t to accept it. The bigger point about the world is that if there are areas of need, we shouldn’t force those who seek to address them into a position where their only capacity to do so is by colluding with evil.

David. Denis said to me that Peter Singer speaks about assessing the net effect on balance between god and evil.

Simon. Peter Singer, who is a very fine Australian philosopher. He is a Utilitarian. In the modern form he’s a Preference Utilitarian.

So what he believes, and what he seeks to apply consistently, is that it is possible in principle to distinguish between right and wrong by doing a calculation. You treat every person as fundamentally equal and you take their preferences, if not equal at least comparable, and you imagine yourself in some kind of god like capacity to look at all the foreseeable of knowable consequences of a particular course of action.
When you add up all the preferences that will be realised and subtract all of those that will be thwarted, then the proposal which provides the greatest realization of preference will be the thing that you ought to do.

Now that's a particular form of consequentialist reasoning whereby the outcome of a particular course of action determines the standard against which you evaluate it. Of course there are whole schools of philosophy which reject that completely and say that there are some things, or even many things that no person should do irrespective of the consequences. Don't look to consequences at all but rather the structure and the choices of how you should or should not proceed.

David. I think we’re out of time so thank you very much Simon.
Interview 9 - Lyn Swinburne (Swinburne 2007).

CEO and Founder Breast Cancer network of Australia
Category: Not-For-Profit
Interview recorded in Melbourne on 20th September 2007.

Some of the key comments made during the interview were:

Corporate Responsibility

‘…this is now a core part of their business, part of their culture and values and to sign on to buy shares would be to sign on to buy shares in our relationship’.

Challenges of Engagement

‘…we’re very fussy about our partnerships and we knock back a lot of people who come to us who want to do stuff with us’.

‘…the idea was that this company would give $100,000 but that would then spend $1.1 million on a campaign to market this association’.

‘We knew at the end of the three years they would say it’s been nice knowing you, see you later’

Benefits For Business / Return On Investment

‘No, there was a suggestion at one stage, but they wouldn’t even know that they pay our phone bill’.

Cause Marketing

‘It really has to come from a genuine place and that doesn’t mean that that can’t be a commercial place as well’.

‘It is about a genuine commitment. It never works if there isn’t a genuine commitment to the cause. It doesn’t work for either party’.

Advice

‘It would be that you need to determine what the thing is that is going to get your juices flowing’. Advice offered up for a corporation contemplating engagement with an nfp partner.
David. Lyn I have to say you seem to have a very good office set up here.

Lyn. Originally we were upstairs and moved down. This is part of Bakers Delight’s floor space and were creeping out into their offices so we are expanding at a rate of knots. We originally took the front and we just kept expanding.

David. My observation would be that you appear to be very integrated into the whole Bakers Delight office, really it's not like they just gave you something down the back of the building.

Lyn. You are right and it is totally representative of the whole Bakers Delight attitude towards us. When we moved in here there were two of us, myself and another staff member, and that's at the beginning of 2000, and we had little offices and then when we would raise enough money another person would be hired, and then more people, and so on.

At the same time Bakers Delight was really expanding their organisation as well and they needed more space. They looked down here and there was a lot of discussion about whether or not we should move down here because Roger who is the owner of Bakers Delight was very concerned that moving us down here would result in us losing a very close contact with them. There is a big kitchen upstairs where we have lunch together and so on but he was worried it would fracture the relationship that we had. But we talked about it a lot and we made sure that we have lots of contact with them and we still have drinks together on Friday night with the staff and they have some staff on this floor also. But typical of them they also didn’t say go down the back they said you need the front, you can have your signage and the better offices and we will take the back.

David. What was the initial point of contact between Bakers Delight and yourself?

Lyn. I used to be a primary school teacher and I taught Roger and Leslie's daughter Elise when she was in primary school. She is now one of the key people in running their operations in Canada.

When she was maybe eight or nine I taught her and so I first met Roger and Leslie then. And then a couple of years after that I used to be very keen netball player and Leslie was also a very keen netballer so we played against one another in some teams and with one another in other teams, so I had a bit to do with Leslie in those days as well.

In 1993 I was diagnosed with breast cancer and so I dropped off this scene because it meant that I was no longer teaching. So we lost contact with one another after that. At the end of ‘99 I was asked to come and make a little speech at Melbourne Town Hall. It was to do with the Williamson organisation who have a thing called Skills Bank which is a group of people who give their time for not-for-profit organisations. And in that talk I spoke passionately about wanting to set up an organisation, but said I didn't know how to do it, and that it was concerning breast cancer. I said I needed someone who understood strategic planning, someone who could help with financial set up, legal set-ups and they had given me a number of people to help me in the early days.

So five years later they asked me to come along as an example of an organisation that Skills Bank had helped and Roger and Leslie came along on that evening and we bumped into each other in the foyer. I explained to them that I had had breast cancer and why I was there.

So I did my presentation and afterwards they came up to me and said that what you’re doing is fantastic and we want to help you, how can we help you? It sounds that you are doing something really important and we think we can help you. Roger said to me what’s the one thing you need more than anything and I said I wouldn't know I needed so much, I don’t know.
And he said would you have an office for example and I said actually I have scrounged an office from Breast Screening in Carlton, and he said would you keep thinking about something you need then you come back to me.

A week later the woman who ran Breast Screening said ‘I need your spot back’ and so I lost my office. So I rang Roger and said I actually do need to talk to you about an office and he said come straight over. So I came down and sat with he and Leslie and they said this is really serendipitous as were about to move into a big new office space because we have outgrown the space and that we’ve got room for you and we can give you an office. I also remember saying while I haven’t got anything. I haven’t got a computer, I haven’t got anything. I haven’t even got a chair. Leslie said ‘guess what Lyn we have computers and we’ve even got chairs. It was this kind of flippant conversation. Roger said I guess we could do this and I guess we could also think about all other ways we could help you to do this and this can be the start.

He said what I want you to do is to put a proposal together, just a simple two pages maximum because we've got a board meeting next week and I’d love to take this to the board to discuss this as a more meaningful opportunity for Bakers Delight to do more than just giving you an office. So I spent the whole weekend putting together this proposal and trying to work out what this relationship might look like without really having had a chance to think about it, or even knowing enough about their organisation to understand how they might be able to help us.

So I think in the end, from memory, I put together a proposal which said this is what we want to do, these are the sorts of things we want to achieve, and we would love to have an office here and would love to explore opportunities for Bakers Delight to help in whatever way that might be workable. I had no concept of the possibilities really.

Roger came back to me a week or so later and said the board were really supportive and they thought it was a great opportunity to help us and you should move in and that I was essential to do it in a way whereby you can do your own thing and we’ll see what happens. So that is literally how it happened.

David. Lyn, do you think that there was something particular about you or your vision that sparked or ignited something in Roger and Leslie?

Lyn. Yes.

David. So they were good people to begin with and they possibly donated money or supported the community already but that there was something about you or your idea that took it to another level?

Lyn. Yes. I think they're incredibly open to ideas, Roger and Leslie, they are very creative people, they are extremely philanthropic, and I mean in the best sense of the word, but they're also very open-minded people and so I think for a start they are open to all sorts of opportunities that present themselves in the world. I also think they saw in me somebody who was doing a gutsy thing saying ‘well I had cancer I want to help other people’.

They were particularly interested I think because I was talking about the difficulties that I had experienced with the system and the fact that I said that I had a lot of opportunities that other people don't necessarily have because I'm well educated, well networked, and all that stuff, that other women in the community don't necessarily have. So my driving passion was based on the premise that if I was getting the gold standard of practice with my managers imagine what was happening to other people. It rang a bell. They got that concept.

Also that it was a very practical thing. I wasn’t raising money to go to something but it was an action based thing and the raising money was really just to support the work. I think that it was this and they felt my passion. They immediately got that.
Yes there had been a personal connection, but they understood as very passionate people themselves and I think they recognized the passion in me and saw that in a practical way they could help me achieve what I wanted to achieve in ways that I had never thought about.

So I do think it was definitely something that's in me and in what I was trying to achieve that rang bells for them and that they wanted to be a part of. I think they saw this as an exciting opportunity for them to help make a difference.

David. Why do you think the board was so supportive?

Lyn. I think they were supportive on a number of different levels. Roger and Leslie, as the founders of the organisation, clearly have a lot of pull.

David. Do Roger and Leslie have 100% equity in the company?

Lyn. They have substantial equity in the company but I'm not sure what percentage is involved.

David. So they would have hand-picked the board members who were potentially like-minded people?

Lyn. Yes and they are people on that board who are very strongly committed to the community as well. So I would imagine it wouldn't have been difficult for Roger and Leslie to convince them that this was something good to do when they personally thought it was good. But in all fairness Roger could have said we will do this and not go to the board but he thought that it was an important step to have the backing of them. In retrospect he perhaps saw many more possibilities, of broader involvement.

David. Can you understand the other side of the coin that some people would say that a profit-making company to give its money away is an irrational act and if the company is owned by shareholders it's actually an irresponsible act?

Lyn. I have spoken to Roger about that and we've done our presentation to Swinburne University a couple of times talking to the entrepreneurial unit. Some of them have asked Roger that question. At one stage they were talking about floating Bakers Delight and what would you say to shareholders who are questioning whether we should be involved with the Breast Cancer Network.

Roger's stance was that this is now a core part of their business, part of their culture and values and that to sign on to buy shares would be to sign on to buy shares in our relationship. It wasn't ever a matter of this being negotiable or that the relationship would ever have been hived off, it was so integral to the company and brought such value to the company that it would be a very bad business decision to get rid of us.

David. I went to a seminar a while ago at Clayton Utz legal firm and Michael Hawker the CEO of IAG spoke and it was on corporate community engagement and a partner from Clayton Utz got up at the beginning and said 'we give lots of money away and time, in terms of pro bono services, but we don't tell anybody about it because we don't think you should blow your own trumpet'. Michael Hawker got up and said 'we are really good people and give money away but tell everybody about it. There are some people that feel that it's not a good thing to promote your support of the disadvantaged in society or leverage off their suffering for commercial gain, and others say were proud of it.

Lyn. One of the really interesting things about our relationship is that Bakers Delight have never said to us we want our logo here or there. We have had to fight to have it there. See those letters on the door when you came in today? These offices proudly supplied by Bakers Delight. We put them there. If we left it up to Bakers Delight they would never have done it. Its about how you view the relationship, whether it's an add-on or whether it's integral to your business. So we do stuff with other corporates and we're very fussy about our partnerships and we knock back a lot of people who come to us who want to do stuff with us.
David. On what grounds do you knock people back?

Lyn. Let me give you an example. We had a multinational company come to us last year who wanted to do a promotion with us to put our Pink Lady silhouette on a brand that they were selling in supermarkets. They wanted to give us a hundred thousand dollars to do it. WE got quite excited as $100,000 is a lot of money so that was good. But the more we talked about it the more we became a bit anxious about it from two points of view. One was that the company itself had a record a long time ago of doing something pretty dodgy, that was the start. The second thing was that they were going to give us $100,000 then run a marketing campaign for $1.1 million to tell people that they were supporting us.

So then I spoke to Roger about it and part of Roger's thing is that he always felt he would like to help us find other sponsors, he doesn't feel this has to be an exclusive arrangement. When I talked to him in the past about potentially looking at having other relationships and was that going to upset his franchisees, when they work so hard in an identical way, and he said 'well know, they'll feel doubly proud that we have built you to such a stage where you are attractive to other groups to come in', so that was his attitude.

But the idea was that this company would give one hundred thousand dollars but that they would spend 1.1 million dollars on the campaign to market this association and he ask them to give you the 1.1 million and spend $100,000 on promoting that fact and that you would promote it also. Of course they didn't go for it. So we felt it wasn't genuine and we didn't want to do business with an organisation like that. We want to be with people who are very genuine about wanting us to achieve our work and that was the total business deal.

David. Do you feel there was an imbalance of power there?

Lyn. Hey yes! And there were warning signals all over with so many warning signals it was best to walk away. They went to another organisation that does sort of similar work to us and they agreed to do it. I spoke to them only because I wanted them to understand the decision. I said to the CEO of the other organisation 'clearly it's your decision but I just wanted you to know that this is situation', and this is a charity that was in the relatively early days of its development and they were prepared to do business. I was interested to see though the whole thing fell through and it never got to market.

David. Some people would say you made a very bold decision to walk away from the money that potentially could have helped more women if you'd taken the money. I guess there is no right or wrong answer but your underlying philosophy appears to be maintaining the integrity of your organisation is a very high priority?

Lynn. Yes and in our relationships with all other organisations. For example we have now built up a relationship with Sussan but you know it's important to us that we respect our relationship with Bakers Delight. We know how lucky we are in our relationship with Bakers Delight, but we had no idea how lucky we were initially, we thought that a relationship with a corporate partner was always like that.

David. Is it luck or is it your skill in managing partner relationships?

Lyn. I think that's true but we hadn't understood how rare it is to have a relationship like ours. We hear from other people who say 'my god, I wish we had something like that going to'. So we were never prepared to take on other relationships that might put our Bakers Delight relationship at risk.

David. My observation is that you haven't applied a marketing formula you're simply being yourself. You've gone and talked to people, not wanting to be offensive, but potentially but in a kind of naive way and people have related to your genuineness and you have attracted partners around you that are like minded. So if you go with a textbook marketing proposal you get the other type of relationship.
Lyn. Yes, definitely, and we did have a relationship like that before Bakers Delight when a company in the sports clothing industry came to us when I was setting up the network. They had undertaken an exercise to see how they could attract more women customers so they went to their women customers and said ‘what's the big issue that is affecting you’ so that if our company was to put money towards something what ought it to be? The answer came back ‘breast cancer’. So they looked for an organisation working in the area with a particular interest in women rather than doing research. Their brief was it was to be a national company and we were in the early days of formation and this was a real marketing exercise to them. They put out a call and someone came to us and we signed a three-year arrangement with the company.

We proposed other possibilities but they weren't interested at all. It was purely a matter of this is how much you get each year and we use your logo on our clothing and it was very arm’s-length. And there were people who were their champions in the sports world who had connections with breast cancer and we wanted to leverage off that involvement with them but there was none of that. We knew at the end of three years they would say ‘it's been nice knowing you see later’ and we were keen for that not to happen, but it didn't progress and we learnt a lot from that, we learnt that we never want to have a relationship like that, ever.

David. If somebody said to Leslie and Roger ‘why do you do it?’ what do you think they would say?

Lyn. I reckon they would say that there’s a few reasons. They really believe in the value of philanthropy both to the community and to the individual person. They want to give their employees the opportunity to be philanthropists. Every year in the lead up to Mother’s Day we have a pink bun promotion where in their stores across Australia they produce pink buns. The money instead of going into the till goes to the Breast Cancer Australia network so we get 100% of the profits.

So it costs the bakery hardly anything in ingredients and the bakery staff get very excited and some get very motivated and produce many extra trays and the ones that don’t particularly engage, albeit was not many of them, will produce one. Roger encourages staff in the bakery to really get involved in this concept it’s about the store being pink and we send them pink ladies to decorate with. So in that way he is giving the staff the opportunity to be leaders and to be philanthropic. Roger and Leslie want the staff to be proud of the organisation in which they work.

Bakers Delight have a philosophy that says at a national level this is the charitable organisation we are committed to honour and on a local level get involved in helping the local kinder or scouts group or whatever but the national commitment is to us and both are encouraged. Because they’re a part of the local community and they need to help the local community but also they need to make a substantial commitment to one cause. They also do it because they see us delivering to women and so is not just a nebulous thing out there. They see women coming in here with no hair and these are the women they are helping. They get involved when we have functions or forums or events and their staff get to see and really experience what happens in the BCNA.

David. And likewise you attend their conferences?

Lyn. Yes, we go to their conferences and their marketing road shows and we have one of the women go and present and talk about the ordinary issues that they faced and how they have been helped by the network and to thank Bakers Delight.

One of the other really important features is that instead of only having the support of the board we have buy in from all levels; from the staff running the business right down to women being encouraged to go to the bakery to say to the franchisees ‘thank you so much helping’. Some are very enthusiastic and some in the business may not be, it's just like life, and the big challenge is the middle group because we don’t bother about the bottom group, my opinion is it's wasted energy. But it's the group in the middle that you want so that's why we have to keep reporting back into them about where the money goes.
David. So there is a degree of accountability expected? Do you think that there is an accountant within your organisation of their organisation that has ever quantified the benefits?

Lyn. No, there was a suggestion at one stage but they wouldn't even know that they pay our phone bill.

David. So no attempt to quantify their marketing return on investment or anything like that?

Lyn. They would never know.

David. I've only been involved in this field for about a year, but it's been my observation that initially companies got involved from a risk management perspective ie. 'what if someone asks us one day how much we give and we need to have an answer'? Having determined what would be acceptable to society, to keep their reputation intact. So risk mitigation. Kind of market place appeasement.

Then it seemed to move to where there was shareholder appeasement, where they could point to a return on investment. This particularly applied to publicly-listed companies that had to answer to shareholders.

But now there are companies who really do want to help other organisations as their primary objective but when pushed can justify their involvement as being fiscally responsible as well.

Lyn. I know there are staff in companies like that who'll say 'I work here because you're good guys and do good things'.

David. So I think it's moved from the cold dry economic argument to a much warmer motive but one that can still be justified to shareholders. People standing in front of the world proudly proclaiming that it's a part of their core values and culture and that all those who participate in mentoring programs or whatever have their lives changed. It allowed them to become the company that they really want to be.

Lyn. It is about a genuine commitment. It never works if there isn't a genuine commitment to the cause. It doesn't work for either party, although perhaps in the short term for the not-for-profit because you get some money, but not in the long term.

David. What intangible, cosmic principle is at work there?

Lyn. I think it has to do with individual leadership that's my view. If you're genuinely convinced that what you can do can help. If you genuinely believe that you can help that cause then that's the absolute bottom line.

David. So it's more the passion and power of the individual's own consciousness and the money is kind of peripheral. They themselves can shift things and make things happen through that commitment?

Lyn. It really has to come from a genuine place and that doesn't mean that that can't be a commercial place as well. They are not opposing ideas. I imagine that it's important for Bakers Delight, and I've talked to the marketing guys, that their franchisees don't lose out by doing the pink bun promotions etc. you don't want them to lose out because if you were commercially smart you'll want a win win for everyone. It even gives the customers an opportunity to be philanthropists.

David. If you gave some advice to another not-for-profit organisation about how to successfully engage with a corporate partner, what would you like to pass on?

Lyn. My advice would be more for a corporate looking to engage with a not-for-profit. It would be that you need to determine what the thing is that is going to get your juices flowing.
Interview 10 - Bill Petch (Petch 2007).

National Marketing Manager Barnardos Australia
Category: Not-For-Profit
Interview recorded in Sydney on 27th September 2007.

Some of the key comments made during the interview were:

Corporate Governance

‘Again you can give money away, and that’s a nice thing to do, but if you don’t operate properly as a business then you won’t end up doing that in perpetuity’.

Corporate Responsibility

‘…that’s corporate responsibility. It’s not anything flash. It’s not all the bells and whistles that everyone’s promoting its promoting your business ethically and responsibly’.

Cause Marketing

‘Well you see that’s not corporate responsibility. It’s just a sales promotion. It’s great for whoever gets the money but it’s not necessarily going to change people’s perceptions and in fact I think ultimately it’s going to be harmful’.

Government

‘Where Australia is lagging behind at the moment is the government’s response to all these issues’.

‘There needs to be far more cooperation between charities, the government and corporations, probably driven by government’.

Environmental Versus Social

‘But I think the environmental agenda is having a detrimental effect on social issues full stop’.

Future Trends

‘So the best thing for all of us to do is to continue to find ways for companies to make money, and if they can, then to find ways for them to then benefit the community’.

‘You’re even seeing people now talking about personal responsibility’.

Advice

‘So the solution starts with you. Not the business you work for or the company that makes the products you buy, but you’.
10. Bill Petch  
National Marketing Manager Barnardos Australia  
Category: Not-For-Profit  
Interview recorded in Sydney on 27th September 2007

Bill. What sort of people have you interviewed so far?

David. Well I’ve interviewed a number of social commentators like Phillip Adams and Geraldine Doogue, Dick Smith as an entrepreneur and philanthropist, Denis Tracy who wrote ‘Giving It Away’, the CEO of the Australian Shareholders Association and a number of others.

Bill. Well I’ll tell you why the view proffered by the ASA is so outdated. One of the interesting things is that lot of companies are now talking about sustainability. Sustainability is a left-wing concept because what we are saying now is we have finite resources and whether that's environmental resources or social resources we live in a finite world and the very basis of capitalism is that it has to be infinite to continue to grow and if it stops growing then you're screwed.

So companies are going ‘hold on a sec, we’ve been thinking of growing this way, but that’s clearly not sustainable, and no one want I talk about socialism as its dead as far as most people are concerned, but a lot of the ideas that were generated by that way of thinking are now finding their way into the thought processes of people on the other side of the fence.

My view has always been it doesn’t matter how you make money, it’s you do with it. Whether you can sustain yourself but also sustain others that are important to what you do. Basically that’s all corporate responsibility is. It’s about, I mean you can give away money but if you stop masking money then what’s the point?

So the best thing for all of us to do is to continue to find ways for companies to make money, and if they can, then to find ways for them to then benefit the community. It’s taken a long time for people to understand that at the day what you’re doing is helping yourself.

David. Enlightened self interest?

Bill. Yes it is, and it doesn’t matter what you call it actually but the bottom line is that it's about the state of the world. At the moment companies still haven’t quite grasped the fact. When people talk about sustainability they are largely talking about environmental sustainability. They are going ‘oh well you know we have to make sure that the planet exists or we'll be in trouble’. What you really need to think about is whether your business will survive as well as the planet. So what you should be doing is finding opportunities for that to occur. And I think it’s a path that people are going to go down and I think the idea of corporate responsibility is here to stay but I’ve already seen mutations of that.

In Australia it’s called corporate social responsibility but go to Europe and they have got rid of the whole social thing now and just it’s called ‘corporate responsibility’. You’re even seeing people now talking about personal responsibility. You have to look at how you as a person deal with the environment. How you as a person deal with your social environment as well. If you’re not doing the best you can for the tings that are important to you why the hell anyone else should be.

So the solution starts with you. Not the business you work for or the company that makes the products you buy, but you.

David. You must see people all the time Bill who are personally significantly disadvantaged, and in many cases, is it fair to say through no fault of their own, particularly if they're kids.

Bill. Oh for sure, and some times it is their fault and even if it is as a community don’t we have a responsibility to help those people too?
My view is that even as a community the reason we’re helping the homeless guy, the reason we’re helping the sick guy, the reason we’re helping the pregnant women who is disadvantaged in some way, is not because we want to be nice to them but because we want to help ourselves.

So if you look at the latest estimates in Australia I think the estimates cost to the Australian community, direct and indirect of child abuse is something like 49 billion dollars a year, I’ll check the figures for you. Domestic violence is about 8 billion dollars a year.

Now you can debate the figures but what that’s saying is that they are costing us and its coming out of your pocket and my pocket. So if I can help others in the world, I’m going to be better off, and that something people just don’t get. They don’t look deeply enough. They see that drunk guy and go ‘why should I help him’. Or the family whose children have been taken away from them because the mum’s a drug addict and the dad’s addicted to gambling and you think they are horrible horrible people, and maybe they are but if we don’t help them and help their kids then those problems are going to be perpetuated and the government or whoever is going to have to pick up that tab and ultimately that tab is going to be passed on to me.

David. In terms of who picks up the tab, I interviewed Simon Longstaff from the St James Ethics Centre, and I asked him if he felt that profit-making-publicly-listed companies had any particular or unique responsibility around these issues as opposed to individuals or governments or other institutions. And he said ‘yes I do’ and his reasoning was that they have been given a particular licence to operate in which the liability of that organisation is never any greater than their paid up capital or whatever. So it’s a limited liability structure. And he maintained that this was an amazing gift to those organisations by society and therefore they have a greater responsibility than anyone else.

Bill. Well that’s a typical ethicist’s argument. The fact is that if they’re broke they’re broke, it doesn’t matter. You can’t get blood out of a stone. This comes back to the issue of sustainability and they need to find ways to make their giving sustainable. They are only just realizing now that they have to be smarter and remember the market for everything is more crowded than ever before.

The stuff that Edelman have been doing with their research on trust, they are saying that the traditional method of communication has gone.

You know that there are so many mediums for people to communicate through that its not about something coming down from the top and society saying we accept it any more. It’s about proper communication and having conversations with lots of people and whether you want to engage in that. And your reputation as a business can be gone like that - snapping fingers.

It’s about managing risk as much as anything else and its about sending the right message and influencing the people they want to influence and getting the results they want to get. Again you can give money away, and that’s a nice thing to do, but if you don’t operate properly as a business then you want end up doing that in perpetuity.

David. Now admittedly I’m mostly talking to people who are pro corporate giving but it seems to me that a lot of companies have progressed from societal appeasement which is Tsunami hits, Public Affairs Manager goes to the CEO and says we’d better give some money because there will be an expectation that we do and our competitors probably will and it seemed to move to move of a shareholder appeasement thing along the lines of ‘we’d better study this and see if there’s an ROI, around brand recognition, staff retention etc. Then it seemed to me to move to an attitude that ‘we’re part of the community and the community is an extension of us and it just makes sense to ensure that we are functioning profitably within a healthy community.

Am I being a bit naive in thinking that it’s reached that point?
Bill. I don’t think it’s reached that point yet. There are a couple of hurdles to overcome in Australia. Firstly if you look at 99.99% of papers that are put forward as examples of successful CSR studies they are all coming from companies that had acute problems, that were going broke, that were in crisis.

That goes back to this whole crisis mentality in Australia. The only time we give any significant amounts is when there’s a crisis. We are very good at giving to tsunamis, floods to fires.

So when you look at companies in crisis, when you have a big problem you need a radical solution. So most of the successful transformations under CSR, where shareholder value went up are to do with companies that had hit the bottom. It’s a nice story to tell and people get all excited about it but it doesn’t really wash with many businesses as the majority will say we are a profitable business, we’ve been managing our risk, and we’ve been managing our reputation we give a little bit of money away. We do all the things that are expected of us as a business. We operate ethically.

Why would we know go and look at CSR because we are OK? We didn’t have the problem they had so their solution isn’t our solution. What they don’t get is it doesn’t matter whether it’s a big problem or a little problem, every company has problems. No company is operating so well that they don’t have to consider what they are doing and CSR can fix the little things as much as it can fix the big things. And if you have a look at what the issues re in terms of portfolio management, the boxes they want to tick will be we want to operate ethically, we want to have the best products we want to have the best workplace. If you look at that checklist, that is corporate responsibility. It’s not anything flash. It’s not all the bells and whistles that everyone’s promoting its promoting your business ethically and responsibly.

David. But I think a sub set of that could be termed community engagement. So there are those companies who have chosen to go beyond getting a tick in all the boxes and get far more into it. For instance I spent a bit of time at Westpac this morning and they’ll be one of my case studies. I doubt that they have a financial imperative to do their executive mentoring program with indigenous people in the Gulf of Carpentaria. But they choose to do those things.

Bill. Well they’ve had people at a senior level who have said that it’s a good idea. And they’ve embraced it and good on them.

David. I don’t think there has been a shareholder backlash against them doing it.

Bill. No but there will be if. Westpac have begun to promote themselves as an ethical institution that considers the environment but sooner or later people will be saying ‘so what., you should be doing that’.

David. But what about if the other banks are still lagging behind?

Bill. At the moment it gives them a competitive advantage.

David. They talk about a ‘war for talent’ about ‘fierce competition to get good grads from the unis’ and they survey why people join Westpac.

Bill. For sure if you’re still making good profits for shareholders then who is going to complain. But I think people are going to grow to expect that businesses do that. The difference between now and a few years is these sorts of ideas will be ingrained in the way they do business. It won’t be just an idea that someone thought up in corporate affairs, it will be an idea that everyone believes in and embraces. The problem is what’s the next thing they can do? If you look back to the turn of the century when people campaigned for workers rights, well now it’s just expected that you will look after your workers. Where Australia is lagging behind at the moment is the government’s response to all these issues. Just as with the position the government has taken on workers rights. It shows very clearly what they think about responsibility. But if you look at the Senate report that came out on corporate responsibility there were a number of
I sit on the board of MOSS now, Models of Successful Sustainability, which is a group to bring together corporates, government and non profits. The author of the report spoke at a meeting recently and although I can’t quote him he said in essence that the government’s position is that they don’t want to be seen to be helping companies make a profit. I said ‘mate are you serious?’ ‘Is that the bullshit you guys have come up with to cover your arse?’ ‘So what your telling me is the whole idea of offering tax cuts or rebates to companies that want to invest in Australia, or to companies that want to invest in the film industry or who offer particular training arenas or for R&D weren’t to help make companies more profitable and sustainable? Is that what you’re saying’?

My view is the only reason they haven’t done anything is that the senior people in government have got no freaking idea what they’re talking about.

David. Why do you think they even produced the report?

Bill. Someone has gone ‘we should do this’. Why did they undertake a study into the nfp sector? To cover their arse, for the stupid decisions they made in relation to GST. GST screwed over a lot of charities.

David. Due to compliance costs?

Bill. Yeah, and lots of others costs, but also benefits that lots of charities lost where they use to get exemptions on a whole range of taxes. So we’ll do a report so people can see we are looking into the charitable sector but when it’s done we can stick it under the table. And that’s what they did. This report, the same thing. It didn’t go anywhere. It’s like the Prime Minister’s Community award. It’s pretty much a waste of time, although I guess it gives companies a benchmark.

In Australia we see regulation as punitive here in Australia but in Europe the governments see corporate responsibility as a benefit for them. If there wasn’t a water crisis here we wouldn’t even have corporate responsibility on the radar. Socially people don’t give a shit.

David. Can I ask you Bill I’ve had a few people say to me that in terms of the work they do in the social sphere that has been eclipsed now by the environmental issues that we hear so much about, global warming etc. and it actually deprives them of funding dollars.

Bill. It does and it will for a while until companies say ‘we’ve done all we can, we can’t find another way to improve or we’ve been banging on about this for a while now our stakeholders are growing tied of it and we’ll have to keep doing it but lets find something else that will give us the edge and that’s when social will come to the fore.

But I think the environmental agenda is having a detrimental effect on social issues full stop. And the funny thing is that if I look at some of the partnerships that are developing overseas HSBC have done a deal with WWF and that’s nice but what does it mean. Well it’s all about overseas aid and they have this attitude that we are very sophisticated and very advanced and we need to show all those poor buggers in the third world what to do. But they should be fixing their own backyards.

If you want to be cynical you’d have to say the reason they do it is that they want to move into third world markets. What company doesn’t want to get into China? The Chinese Government know they are one of the biggest polluters in the world and what’s the best way to fix that, its to get someone to do it for them.

The banks in particular have to be seen to be environmentally friendly which excludes funding polluting companies. McDonalds in Europe has teamed up with Green Peace., again for third world stuff. I can’t imagine McDonalds in Australia teaming up with Greenpeace.

David. Do you think there is anything wrong with a company giving its money away to do well but with an overt agenda to buy their way into a new market?
Bill. Well you see that’s not corporate responsibility. It’s just a sales promotion. It’s great for whoever gets the money but it’s not necessarily going to change people’s perceptions and in fact I think ultimately it’s going to be harmful.

As corporate responsibility becomes more sophisticated and as people become more enlightened as to what CSR is and how it effects their environment, ecologically and socially, then they will see these things for what they are. I think people will be quite cynical about those sorts of things.

As a charity I wouldn’t care. If a company said ‘look we stuffed up doing X we’re a gambling organisation or whatever, I’d say fine I’ll take your money because I know that I can do a hell of a lot more good with it than you can. But I also know that a lot of people would think that is the wrong thing to do.

David. Forgetting Bill Petch for a moment, but within your role at Barnardos have you ever knocked back any money that you thought would taint you too much?

Bill. Yes we have and that’s about us maintaining our influence and just as some companies say ‘we wont go and mine there’ or ‘we wont use these chemicals’ or whatever because its an ethical issue for them, well so to we have to manage our reputation and sometimes you have to make hard decisions. But my personal view is that I’d usually take it.

David. Do you think there are any companies in Australia that engage with the not-for-profit sector particularly well?

Bill. I think there are companies improving but there is still a way to go for them in understanding the process and the community as well. At the moment I would expect that 99.99% of community organisations see CSR as a great way to get money. They don’t see it as an opportunity for them to build capacity and benefit from other things that a company can offer them.

Neither for profit or not-for-profit organisations are structured in a way to take advantage of each other and that is going to have to change.

David. Is there any cross over of skills where companies are becoming more compassionate and not-for-profits are becoming more professional and commercial?

Bill. Not-for-profits are becoming way more professional. Someone made a smart arse comment at the Prime Minister’s Awards the other day ‘it’s good to see all the representatives of the corporates wearing open necked shirts and all the representatives of the charities wearing ties’. A pretty clear indication of a coming together of both sectors.

I think the corporate sector is starting to realise that there are opportunities but they haven’t quite grasped how they can take advantage of them. At the moment it’s almost too hard for them, for both of them, because they are not structured right.

David. What’s the key to unlocking that synergy to make it work better?

Bill. That’s the sixty four dollar question. One thing is time. I think in the next few years there is going to be a major realignment. Having said that probably for the last five or six years I’ve been saying that but there has been an interesting shift. For a start in our sector there are way too many organisations, way too many, and that means there’s a lot of competition. And interestingly in the commercial world competition is good because it does things like drive down prices; it leads to innovation all the classic capitalist benefits. In the not-for-profit sector you don’t want to drive down prices, although we do want to innovate. But innovation means you have to put a lot of time and energy into resourcing innovation and where does that come from? And if I’m doing it everyone else is doing it and there’s only so many good ideas and if we are all working in the same sector it can be a waste of money as we are all try to do the same thing.
It is very competitive between charities. We all pitch for corporate donations. We recently won considerable funding from HBOS. They saw a synergy between their management of financial risk in the banking sector and our management of people at risk in regard to the people we assist. Also HSBC where they fund a financial literacy program.

**David.** What changes do you think the not-for-profit sector is likely to go through in the future?

I think the big ones such as Mission Australia, The Smith Family etc. will get bigger. The small ones such as single issues charities set up after someone’s family member died with a focus on preserving their memory and raising funds to prevent further deaths in that area, will survive as their overheads are low. However, I think many middle sized charities will struggle and may even disappear.

**David.** What can be done about that?

**Bill.** Perhaps having middle sized corporates supporting middle sized charities might be effective, but then you are drawing from a much smaller pool of giving.

I think the government needs to play a greater role, I think there is a need for greater regulation and I’d even advocate mandating aspects of this field. What I mean by this is regulation of the way corporate responsibility occurs. Don’t tell companies how to spend it but where to. Regulation has always been seen as punitive but great advances have been made via government regulation. Would a company control its waste and not pollute without fines?

Governments need to take responsibility and be thought leaders. The current government has done anything but. The approach has been laisefare economics. Just let businesses do what they do.

I would see it working along the lines of setting minimums to go to the not-for-profit sector. If you don’t meet the minimums you get penalized. If you choose to go above and beyond you get rewarded.

For instance increase company tax from 30% to 32%. If you prove you have exceeded the standard say by 10% then 5% is returned. If by 20% then 10% etc. On top of the funds returned you’ve picked up all the other benefits of corporate responsibility along the way.

**David.** Why not just increase taxation full stop and have the government distribute the funds to the not-for-profit sector?

**Bill.** Well that’s what happens now. Tax is seen as punitive. You are seen as taking dollars away for no reason.

This is rewarding good behaviour. Some companies are just keeping their heads above water and this system of reward could actually help them. From the governments point of view the tax foregone through giving rewards back would be offset by the saving in cost to the community saved by the company exceeding its minimum and having donated more to the community. Of course a register of registered recipient organisations would need to be established and audited. This principle has other application. For example the country has a problem with the rising level of national personal debt. If people were rewarded for saving, not spending through tax concessions of course they’d save more.

**David.** What changes would you like to see in the not-for-profit sector?

**Bill.** There needs to be far more cooperation between charities, the government and corporations, probably driven by government. There are very high costs for charities. These could easily be cut. Compliance costs are very high. Companies should provide services at a break even cost and make their profit from their core business. The corporate sector can really have a big impact. It can fund innovative projects. It can provide skills and assistance in other ways. Not because it’s the moral thing to do but because it works for the company and the community. There’s a distinct lack of collaboration between charities. They are very focused on their short term needs.
I’d like charities like Barnardos to be able to send their staff to smaller charities to assist them develop. Most can’t afford to fund secondments but corporations could fund this with donations specifically for this. However, a lot of companies don’t even want their donation to go to labour costs at all. They want to see it spent on things like equipment ignoring our other needs. CSR shouldn’t be one dimensional. Business thinks it’s the government’s responsibility. We pay our taxes so why should we pay again. This needs to change.

David. Is corporate social responsibility here to stay?

Bill. Corporate responsibility is not fly by night, not the latest trend. There are huge opportunities for corporates to get involved. CSR is low risk for companies and high gain. People bang on about synergy and alignment. Personally I don’t think it matters, there’s generally always a positive outcome. You can be a car manufacturer and save whales and people will respond positively. Personally I can’t imagine it going backwards. For example a hundred years ago unions fought for the rights of workers. Today these rights are just accepted.

David. So what will come after CSR if it becomes so accepted?

Bill. Every company will be environmentally conscious. They will all be mindful of their stakeholders. They will all help people who are struggling.

Mind you the government needs to improve in this area. Would they know their own carbon footprint? The Federal Government introduced workplace giving but not matched giving. There is an awful lot more that can be done. You may know that heaps of small CSR consultancies have cropped up already. Companies will need advice on how to participate in programs and I see a big future in chargeable professional services around this area.

David. Do you see any risks in the growth of CSR?

Bill. If CSR is left unfetted companies will begin to dictate government policy. One negative consequence in the charitable sector can be ‘mission creep’. If the government give money for one cause, say cancer then charities focus on that at the exclusion of other issues. For example hypothetically Barnardos then focus on distress in families caused only by cancer. Show me a company today that isn’t giving something to breast cancer.

David. What can each sector learn from the other?

Bill. There could be a greater exchange of staff. The for-profit sector still undervalues the skills of those in the nor-for-profit sector that for instance have to be extremely resourceful due to working with limited resources and this is undervalued. In Australia corporate responsibility is still a relatively new concept. I could count on one hand those Australian companies that really understand it. It is a different story for multi nationals in Australia. We both face the same issues such as staff retention, meeting stakeholder expectations etc. We also need to be mindful of our own environmental footprint. We are like anyone else, we use resources too. I think if you look at businesses that are really successful year after year it is those that know who they are and are values based. People want to know what a company stands for and this applies to their view of charities as well.

David. What do you think is the next new horizon?

Bill. There are currently a growing number of consultancies growing up to promote more successful engagement between both sectors. I think there is an opportunity for the nor-for-profit sector to develop their own businesses undertaking this.

I also think there will be the development of social franchising. This would be where charities either set up or benefit from the establishment of franchised businesses whose profits help to fund the work of the charity. This could be in any industry at all, that wouldn’t matter.
Interview with Samantha Brown, National Manager, Community Involvement, 18'10-2007.

David. Sam could you please talk a little about Westpac's community engagement programs.

Sam. Westpac takes a very strategic view of community engagement. It is a part of its overall corporate social responsibility agenda. My role and my team's role is very specific around community programs, community investment and the social spend which is just one part of a broader CSR responsibility. Westpac takes quite a strategic approach as to how we invest in the community. We have had a very long history and tradition of supporting and getting involved with local communities and this is partly because we became a company due to community demand and expectation so we've always had close connections with the community.

We were the first bank in Australia and Australia's first company so we go way back to grassroots engagement with local communities. We even have three decades of partnerships with some partners. We really took a much more strategic approach to investing the community around a decade ago, around the late 90s. Post deregulation of the banking industry banks in general tended to become more removed from community standards and expectations and I guess you could even say they were considered quite arrogant and insensitive to the needs of the community.

So it was all about the bottom line and being fully profit driven and being competitive. The peak of the bank bashing was the mid to late 90s when banks were closing rural branches. Our aspiration was that we were deeply committed to the people of Australia but the reality was that we were closing branches and the perception by the community was that we were abandoning rural towns and there was a real substance gap between those pillars and the perception which was we were abandoning rural towns yet our aspiration was we were deeply committed to the community.

At that time we started looking into this and it was perceived as a communication problem, we were not communicating clearly what we were about. When Dr Noel Purcell looked into this he discovered it wasn't actually a communications problem it was a substance problem. At that very time it was a moment of truth, if you like, this is late '90s, '98 and it was a turning point for the bank when we recognized that we needed to change. We were not listening to our stakeholders we were perhaps only focusing solely on the shareholder to the detriment of other stakeholders potentially.

So that was really when we made very firm decisions to really engage with genuine consultation with the community. We put a moratorium on closing rural branches and were the first bank to do so. We introduced things like fee free accounts non-profit organisations and members of the community that were on welfare. No other bank had done that at that time. Regulation was not forcing us to we chose to do it.

We also at that time started to take a more strategic approach to community investment, community involvement program. Our staff were leaving us in droves, they didn't want to be associated with the bank. They would change into their uniforms once they got to work and I was here at that time and felt the same way to a degree.

The media were driving a lot of criticism within the organisation. We were achieving record profits at that time but the sentiment out there was worse than ever. We recognized we couldn't continue achieving record profits at the rate we were achieving them with the public perception the way it was. So it was really about how we made decisions that affected the community and corporate social responsibility started to become more formally embedded in the organisation. From a community perspective we felt we needed to give our people something that they felt proud about something they could talk to their customers about they were on the coalface of this criticism from people such as customers so that just before '98 we started to introduce some programs we still have going today.
Just before 98 we introduced volunteering program and were the first bank in Australia to do so and probably the first company in Australia to give our employees time off to volunteer although today it has become the norm in big companies. We introduced a matching gift program where we would match employee gifts dollar for dollar to any charity of their choice.

We believe it's one of the largest programs of its kind in Australia. We didn't want it to be only to a narrow group of say five charities we wanted people to be able to select who they gave to. You may hear of the term workplace giving; that was introduced well after we introduced the matching gift program and that's primarily around payroll deductions. The matching gift program goes well beyond that we will match payroll deductions and will also match individual giving or you might have a team that want to get behind a particular cause or issue that is important and that team may organise a bit of a fund-raiser or whatever. Westpac will match dollar for dollar the team fund raising. There is a $5,000 matching limit on individual donations which we really needed to have.

David. If everybody at Westpac gave $5,000 to a bona fide charity…

Sam. We will technically match that.

David. I would have thought there was a risk management accountant having a heart attack right about now somewhere within the bank?

Sam. They don’t. Certainly some people within the organisation can afford to donate $5,000 and do. We basically say this program is there for people access. Our people drive the direction and pace of our giving. As much as our people give we will support that generosity. I think it's one of the most democratic ways of determining where our philanthropic dollar goes. It's incredibly subjective to make decisions around philanthropy. If you have a criteria and try to narrow the field of what you will support, then most organisations can find a way of fitting that criteria and it often does end up being quite subjective.

There is no expectation of a return for the business, so you don't make the decision on a business case. We avoid the subjectivity of myself or a committee deciding where we will give our X amount of dollars to each year, so we put that in the hands of our staff which means we give to a lot more organisations which means it's not just the large organisations that benefit, its far more diverse and includes local and regional organisations.

Additional Notes

I don't think of them as sponsorships. Some of our arrangements don’t even have contracts.

We were nearly bankrupt in the early ‘90’s yet we kept supporting the Salvation Army. We help expand their reach, keep branches open on Sundays to help collect funds.

Successful engagement

It’s about doing the due diligence. Determining what it is that you each want to achieve. Its about shared common goals. Its about strong and clear communication, about sharing the good the bad and the ugly. One of the most important elements is a genuine commitment. You have to clear up any possible misconceptions before you start. Our partnerships are usually for an initial period of three years with formal review processes.

Advice to corporates:

1. Set improvement goals to keep improving the success of the project and the relationship
2. Survey your partner to see how they rate you
3. Don’t just pick the big ones
Advice to Not-for-Profits:

4. Package your offering to make it easy for the corporate to engage with you

5. Understand what the core problems are for the corporate in their business eg. Westpac staff leaving

6. Don’t just offer the use of your logo (Westpac would never be interested in this)

Kimhji Interview

Part of every General manager’s KPI’s is that they have to be involved in two fairly significant community projects which may be with their team.

Mission Australia

In 2003 in work done for MA it was identified that Baby boomers wanted to give but it had to be easy. We had experts in banking and web design, so we had the skills needed. Forty or fifty Westpac people were involved on a pro bono in a new on line system for MA. It ended up winning an award as the best NFP web site and was the first to incorporate an automatic payment system. Previously it has been slow and clunky. It would take details and then manually process the donation. The quantity of donations increased by 20% within the first three months.

Personally I received the CEO Annual Community Award for the payment project which normally would go to someone who had spent 40 years doing community service.

Cape York.

The community group Balkanu, had received a government grant for $5.2 million for broadband communications, but didn’t know what to do with it.

I was in the second group of secondees to go to Cape York. Initially I went for one month then two additional visits of one week each.

The project has an annual budget of $1.2 million. A case was put to the board and as the bank had an annual turn over of $14 billion, the net amount of $800,000, following a 30% tax deduction seemed quite acceptable to them.

The bank’s view was that “we owe it to the community to support in any way we can”.

It is considered a staff development program. You have to put in quite long hours. There is a rigorous selection process. Around 140 people apply each year and about 12 are chosen. The qualities that are looked for are flexibility, adaptability and willingness to learn.

Personally I’d never really thought about aboriginal communities before. Now I know they have been forced into a disadvantaged situation due to government legislation in the 60’s.

The federal government collected huge amounts of tax on liquor that was going into the communities. Aboriginal people were cleared out of jobs on farms and onto welfare.

“If you give them a go they’ll really have a go”. “Some of the kids have gone on to considerable academic success in the city. They become an asset to the country.

“You could see the development that they had experienced in their faces when they came back”.
Bendigo Bank Interview – Chris De Araugo, National Manager, 08-10-2007

David. Do you think Bendigo Bank participate in both philanthropy and social investment?

Chris. In another lifetime I used to be head of marketing for BB. Rob Hunt was part of a community initiative which was trying to develop young people and I was just lucky enough to get a job there to set up this thing called a Lead On. I saw it from outside the bank to make sure what I was doing to the bank was an investment vehicle to the bank and not a donation because my theory was love is a good thing but need is better. So if I could translate what Lead On was into something that the bank needed to fit their broader goals then that was good for Lead On.

Bendigo Bank was happy with that as well. We could give donations of $25,000 $50,000 a year and feel good about it but they were looking to do more so it was a really good test of our whole concept of investment versus donation. And the Bendigo Bank Lead On partnership now is probably around half $1 million.

David. What is the benefit to the bank?

Chris. A whole lot of things. We’re helping the community grow through developing young people and of course that goes in the annual report. What’s more important is there were community banks were growing and starting to make money but Bendigo Bank was able to talk to the community banks about accessing Lead On young people. Help some community banks and employ young people even young people on their boards.

Secondly in the past Bendigo Bank weren't corporately well known. It's hard for a bank to become well-known. Its hard to call a community meeting about mortgage rates. But to talk about Lead On bankers were going into communities and calling meetings with the movers and shakers about this youth community development program and obviously people came.

This put the bank front and centre with the Mayor and business leaders and other community leaders who all share the common goal of helping young people. One of the outcomes of this was that the bank was all of a sudden making brand-new networks and connections and picking up business. Providing they did that properly. Sometimes it was overzealous from the bank. The vast majority understood that Lead On could fit in with the bank and what the bank said it did which was helping communities of course that also helped Lead On. This was demonstrable evidence of what the bank said it was on about, it helps thousands of young people, it was the reality not the rhetoric.

Third level Bendigo Bank employs many of these young Lead On kids. Some these kids had worked on projects with bank staff and all of a sudden these kids were then grabbed. I had a call from a woman in HR one day she said ‘have you got any more of these Lead On kids? I said ‘why do you like the Lead On kids she said “well any kid that gets involved with Lead On is showing that they’ve got a bit of direction and are showing that they are trying to do something. They talk about their project during the interview and we can find a whole lot more about the kid.

Secondly the bank could ring somebody who'd been involved with the kids on a Lead On project and see what they were really like.

David. If an accountant ran his slide rule over the Lead On project do you think you could actually measure the return on investment to the bank or is it much more heavily weighted towards the good that it does to the community?

Chris. It had to meet that test as well. Rob Hunt was the chairman of Lead On. He is a very ethical man and there is no way Rob was going to be found to be promoting Lead On internally because he would potentially have been seen of promoting his own project. And Rob is not that sort of guy. What Lead On did was to impress the more hard-nosed bankers who ended up seeing that this Lead On thing is good.
I had to deal with guys who were more about what are we getting out of this and why are we involved and I knew from Lead On’s perspective that Lead On was adding value when you could walk in with a document and the response from those you were presenting to was ‘gee it’s a lot more than what I thought’.

You had Bendigo bank staff being mentors involved with young people in the community. They had the privilege role of acting as a mental to young people that made them feel really good about themselves. One of the things about the community bank model they were a group of staff who got to work community bank and there was another group within the bank looking over the fence and is wondering what that was about 10 lead on provided another avenue to staff to get involved. You’ve probably seen signs around the bank saying a successful community leads to a successful bank will lead on was helping to build a successful community.

David. Does the bank survey staff as to why they like working in the bank and does community involvement come up?

Chris. It’s way up in people’s comments. People were coming to work because Bendigo Bank is different. When bankers go into communities and talk about the bank they talk about community banks and what you can do with the money. So the banking is the project but the outcome or the focus might be a new swimming pool, new sports and recreation structure and new aged care facility. The bank is just a vehicle to get from there to there.

David. Can you explain a little bit to me about how community banking works?

Chris. It’s a profit-sharing franchise arrangement. The motives are changing but back when it started the motive was quite strong as people felt that banking facilities were being taken away from them. The community motivate, people get the customers employ the staff at the end of 12 months the banks made a dollar which I think is split 50-50.

David. Isn’t there is in some local fund-raising by local communities.

Chris. The bank said we will work with you to the community which has to raise the start-up capital, but the community goes to Bendigo Bank and says we would like a community bank. They’re into the 10th year this year.

When I was involved with Lead On high I virtually became one of the not-for-profit sector. However many people in the not-for-profit sector felt threatened by our model because we weren’t seeking government funding and it seemed strange to them. Some people have been too insular within the not-for-profit world. Also there are some people in the business world who don’t respect people within the not-for-profit world but there are some fantastic operators in the NFP world, really switched on good operators.

David. I am writing about particularly good examples of organisations that engage well with the not-for-profit world and I was wondering if you think that from the not-for-profit sector to become more successful it needs to have more engagement with the corporate world and more cross-fertilisation?

Chris. Yes and may have to develop more confidence as well. There are people in the not-for-profit sector who would be successful in any field. They happen to work under the not-for-profit community sector and I think those people need to be exposed more and more to the business community. The thing that Bendigo Bank has been able to do and I think mostly through the leadership of Rob is to explain to their bankers that doing good for the community is a good thing and continually reminding people within the bank of the bank’s slogan of ‘a successful community makes a successful bank’ and specifically in that order community first.

What I’ve learned is that the motives have to be right. Predominantly in this organisation the motives are right, set at the top and filter through the executive and there is a willingness to staff to get involved for all the right reasons.
David. A number of people have said to me that the motive has to be right and if it isn't you can do all the cause marketing you like and it doesn't work. It might work short term but it's not sustainable.

Chris. People see through it. We've had people in the bank who have gone out and talked about our projects with the primary motivation of getting more business. But the community spots it.

It is a bit like the enterprise banking that has commenced where people will go to town and say 'bank with us and we'll give you a kickback for your footy club; that's not true community enterprise. That's business. When you can do it for the wrong motives people spot it and that's when you get into trouble.

Bendigo Bank is very open about the fact that with some of its projects it is a requirement of the community to bank with it, it's very upfront about it and says 'we'll share the revenue with you because it's going to a good cause, the altruistic part is that Bendigo Bank is helping the community, and the practical part is that the community still has to get as many people as possible to transfer their banking to Bendigo Bank. One of our main things is that it has to be good for the community and good for business. If we have total focus on just business were might as well just be one of the other banks or mortgage brokers and if we focus totally on wonderful altruistic stuff we will go out of business. So we get involved where its good for the community and good for business.

It is important to distinguish between genuine motives and purely commercial motives. One of the things Bendigo Bank has worked hard to do is not blow its own trumpet.

David. Do you think it taints the giving if you do?

Chris. Yes, because who is the hero? You might have the community group that you're working with saying we sold the lamingtons and got all the pledges signed then you come along and take the glory.

This is where Rob Hunt's stewardship comes in. It's very tempting to get out there and say look how good we are.
**Interview with Sarah Moors – PWC Foundation, National Manager, 13-11-2007.**

**David.** Can you talk a little about why was PWC foundation formed in the first place?

**Sarah.** We have just celebrated our fifth year. In 2001 our CEO Tony Harrington was looking at what we were doing in the community space and there were pockets of really interesting things happening and because we were a partnership a lot of this was getting driven by individual partners such as pro bono work or some donations here or a bit of volunteering work there and he decided it was time to pull it together to have a structure and focus, and ensure we actually have a positive impact. We went through a process of surveying all of our staff to understand what are the cause areas staff are passionate about and what are the charities we should be supporting and pulled together a short list. We then undertook due diligence of these organisations, and made sure they aligned to the values of our firm, and came up with a list of 21 charity partners. We have continued to survey our staff every three years to ensure the list remains aligned to staff priorities.

**David.** Who made that decision of which were on the final list?

**Sarah.** We have a Foundation board made up of senior partners.

**David.** Are they all people within PWC or are there any external people?

**Sarah.** We have one external representative at the moment, a lawyer.

**David.** So in the past there was a desire to support the not-for-profit sector or be involved in some form community engagement but this greater formality gave it a more structure and a framework?

**Sarah.** Yes it provided it with a more structure and focus and allowed us to understand the impact of what we were doing rather, than basing our support purely on relationships that individual partners might have.

**David.** Aren't companies going to use your services anyway even without the Foundation?

**Sarah.** It has never been about increasing the firm's income or for reputational reasons - it has always been about our staff. Hence, we haven't gone out to the media about this. It has been more internally focused on engaging our staff and recognising that we are part of a community we work in, and there is an important role for the private sector and PwC, as a large company which has about 6000 staff. We’re all part of the multifaceted elements of community and we need to be responding to that, and taking part in that. The firm is quite young, the average age is 27 and its something that our staff have really become engaged with and taken on board, and I guess that reflects partly that younger generation and their interest in taking part in the community.

**David.** Inherent in what you said then would seem to be that older generations were perhaps less interested in community involvement en masse apart from certain individuals?

**Sarah.** Not exactly - I think it's that the models of giving have changed over the years. A term that has been used a lot more now is “engaged philanthropy”. 20 years ago giving was occurring but often it involved providing the money and leaving the sector to undertake the work. Nowadays, it is more about partnering - not just providing the money and stepping away from it, but getting involved, understanding the key issues and providing support.

**David.** Something that I hear a lot these days is that prospective new employees question whether their prospective employer has any corporate social responsibility programs or any community giving programs such as volunteering. Do you know if PWC are hearing questions along these lines?

**Sarah.** Definitely - I’ve seen it first hand, it is very common. Potential graduates will ask off their own bat what programs you have.
It's something PwC is proud about, and we have been starting to build this into our recruitment campaigns. It's a very competitive market for the best graduates, and it's an important part of the PwC experience so we definitely talk to our potential candidates about that.

David. Don't Ernst & Young and KPMG and these sorts of companies all do similar things? In which case how do you differentiate yourselves?

Sarah. They do have programs but they don't have a structured Foundation in the way we do. They have elements of what we do, so there are volunteering programs and there are fund raisers and those sorts of things, but it doesn't have the structure and the focus of the PwC program. Certainly some of our key programs in areas such as co-coaching and capacity building (pro bono work) are seen as leading. So there is a breadth to what we do, and it's much larger than say just volunteering or some of the other pitches that other companies have.

David. You mentioned "capacity". In my thesis I've drawn a distinction between giving with no strategic intent and giving to build capacity within the recipient.

Sarah. That's why we use that term. We have about $1,000,000 set aside to specifically support our charity partners in capacity building. We fund 30% and then the charity partner funds 30% - so in total the value of the work exceeds $3m. The idea is that we choose projects that are strategically important to our charity partners. Often these are quite big engagements, such as assisting them write their strategy and business plans, improving their risk and governance, or reengineering their processes around fund raising. Really significant projects that can have major outcomes for the not-for-profit organization moving forwards.

David. Is it public knowledge what the total annual budget for the Foundation is?

Sarah. We don't actually make that public, but we do report on the $1 million funding for capacity building and the $2.6 million donated to our charity partners and strategic partners (Social Ventures Australia and Australian Business Community Network (ABCN)).

David. With the building capacity initiatives, you mentioned pro bono work, how is this costed to the Foundation?

Sarah. We have our normal charge out rates to corporate clients, and for some of the larger charity partners we get them to pay 30% of that fee. The Foundation then pays 30%, and so the business unit undertaking the work gets 60% charge back of their normal fees. We have recently moved towards this model, rather than being completely pro bono, so that it is viewed as a completely professional relationship between both organisations. The charity doesn't feel beholden to accept whatever we provide, and by committing funds recognizes the importance of the work to be undertaken. Similarly the partner and staff going out on those jobs see it as an important engagement. We've found that model works really well.

David. I think it also addresses the issue of imbalance of power and puts you onto a more even footing.

Sarah. Yes exactly.

David. When I talk to people about the benefits of having a foundation, the benefits for the community appear obvious. In talking about the benefits for the giver, it seems you don't have a bunch of accountants sitting around calculating return on investment?

Sarah. It is difficult to put a figure against our return on investment; there are so many benefits at different levels. In many ways some of the intangible aspects are most important to us. We talk a lot about responsible leadership, that's something that our Australian CEO and global CEO feel very strongly about. They feel that leadership is not just about business skills but about being socially and emotionally aware as individuals as well and we need to be building those skills within PwC.
David. Does it also mean actively participating in these projects, in the sense that to even want to be involved says something about an individual’s emotional intelligence but also that they grow as individuals through their involvement?

Sarah. Yes absolutely. We have some intensive programs such as “Elevate”, which we developed with Mission Australia, which is a year long co-coaching program in which 15 high achieving leaders in Melbourne and 15 in Sydney are matched up with young people - some from disadvantaged backgrounds, and together they go through a year long journey. The coaches really support that young person in setting goals and realizing their dreams, but there are also some really important learnings and development opportunities for the coach over the year as well. We are now looking to expand that program to involve other corporates. Vodafone took part this year, and Westpac have also signed on. We would love to see this program Australia wide.

David. Will you remain like a lead or coordinating entity?

Sarah. I guess we’ll always have the foundational role, but we hope Mission Australia will drive the co-ordination of this program in future years.

David. Can you give me an idea of some of the smaller partners that you have.

Sarah. Yes, we have a few at the smaller end of the scale. One is Urban Seed in Melbourne, which was started by Tim Costello before he moved on to World Vision. Urban Seed aims to provide a sense of community to those on the margins, and has a range of programs to support this, including Credo Café, the ‘pain in the arts’ program, and the cricket team. PwC has been involved in a variety of ways, including volunteering opportunities such as staff attending lunch at the café and cricket matches, to providing our skills and expertise by helping people with their tax returns or supporting the organizing with building fundraising and business planning skills.

David. When people talk about the benefits for the giver most people talk about internal benefits such as attracting and retaining staff, improved culture and so on. Do you think there are other external benefits such as winning more government contracts or anything like that?

Sarah. We purposely haven’t gone down that path of focusing on the commercial benefits. I guess we haven’t wanted it to become a cynical exercise of ‘what’s in it for us’. However, after five years we have started to reflect on our achievements and started to share what we’ve done.

We have noticed it is starting to come up when we seek new contracts. For example, Telstra is a large client of ours, and they request information on social and environmental aspects of the company in their vendor contracts. So, it helps but we are not proactively doing so for this reason.

David. I was at a CSR presentation some time ago at Clayton Utz and their Senior Partner said “we do lots of good things but don’t tell anyone”. The key note speaker, Michael Hawker, the CEO of IAG, got up and said “we do lots of good things and tell everyone”. Do you think it’s more of a theme for professional services organisations not to blow their own trumpet?

Sarah. I don’t know.

David. Some people think it’s tacky but others are more pragmatic.

Sarah. I think in professional services firms, we don’t have commercial customers in the same way that the banks for instance do, so it has been more about our staff.

David. Can you talk a bit about acceptance ratios when seeking to attract new staff, I think it was around 70%. Is there any empirical data?
Sarah. It’s not in the “Why Bother” booklet but we have done surveys. We survey all our staff on a quarterly basis and have questions around their perception of PwC as socially responsible. I know last year the survey results indicated that 95% of staff believed PwC was a socially responsible company. Also things like “was the PwC Foundation a factor in joining the firm?”

The first survey in relation to recruitment received responses from 190 graduates now working for the firm who came through last year’s recruitment process. The critical responses were as follows:

- 40% of new graduate recruits were aware of our Foundation before they decided to join PwC
- 25% of new graduate recruits said that the PwC Foundation was a factor in their accepting a job with PwC rather than with another firm
- Of the new graduate recruits who knew about the Foundation therefore 62.5% said it was a factor in their accepting a job with PwC rather than with another firm.

The second survey in relation to retention received 306 responses from a sample drawn from the population of accountants through to directors. The critical response was as follows:

- 62% of respondents said the PwC Foundation, its activities and its involvement in the community makes them more likely to want to remain at PwC.

David. How long have you been involved?

Sarah. Well I started as what we call a Foundation champion – promoting Foundation initiatives within my business unit, then became Foundation Site Champion -managing about twenty champions across multiple business units, and then into my current role.

David. Have you noticed any appreciable change in the not-for-profit sector?

Sarah. Recognising that I’ve only been in this role for about nine months, I’m not the best person to answer but certainly not-for-profits appear to be getting more sophisticated in the way they interact with corporates – they are recognising that this is a space that is growing and want to be more involved with.

Interestingly many not-for-profits are now being inundated by corporate requests to be involved with things like volunteering days, and many charities just can’t keep up. It’s almost becoming a competitive thing between companies.

David. How are charities demonstrating greater professionalism?

Sarah. Well it’s far more common to have a corporate partnerships person specifically in that role within the charity. Something we always do with our charity partners is to set a statement of intent and so on an annual basis we sit down and discuss what we want to achieve for the year and how we are going to do that. So we agree and sign a document to set expectations. It’s being very clear about what we both want to achieve and about maintaining clear communications. We’ve been told by our partners that this is a very good part of how PwC structures the relationship and they have started similar processes with other corporate partners.

David. You must receive a lot of applications for assistance how do you deal with them?

Sarah. Well being so structured helps. Every three years we survey our staff and that’s the only time we might change these arrangements. We want long term partnerships.

David. Do applications range from a half page letter through to a business case?

Sarah. Unfortunately it is often a phone call without any research, not having even been on our web site.
David. I come from a commercial selling background. The underlining principle of this is not going in and talking about your product but asking your prospective client to talk about their needs. Have you ever seen this from the charitable sector?

Sarah. A couple of our strategic partners approach it from that angle.

David. What constitutes organisations being in this category of “strategic”?

Sarah. We work with them on innovative ways to tackle social issues in Australia. For example we partner with Social Ventures Australia to support and mentor social enterprises.

David. If someone asked you to run their not-for-profit organisation with a specific focus on engaging the corporate sector, what would you do differently to what a lot of the charities do today?

Sarah. That’s a good question. Well I guess for us it is about building the relationship. This role of having someone within the not-for-profit to specifically engage with corporates is quite new, but also quite transitory. You try and build a relationship but the person keeps changing. So that’s very challenging and so it’s important they clearly define that role when recruiting to find the right people and set the right expectations.

Our strongest relationships are with organisations like Mission Australia, where we have been able to build relationships with people within those organisations. It’s also important that in making an approach to a corporate that the charitable organisation has some understanding of us and where we are coming from (and likewise we of them and some of the challenges that they are facing).

David. What about decision making within the firm. Is it a complication that it is owned by many partners? Do you think your work has broad acceptance or is it driven from the top by Tony Harrington?

Sarah. The investment and success reflects the fact that it has had strong direction from the top via senior leadership support, but if you look at the stats such as 48% of staff volunteering, then you would have to say that there is also broad acceptance of the work we do.

I think because we are a young firm with the average age of staff being 27 then it has strong grass roots support - the management of the firm recognize this and the importance of listening to staff and matters to them.

David. Do you have a matched giving program?

Sarah. Yes, we call it “People Giving” in which the firm matches pre tax donations dollar for dollar and it all goes to specific programs within our charity partners.

David. Is there a limit?

Sarah. There is but it’s not based on individual limits per person it is that the fund has an allocation. We do that with our quarterly fund raisers such as Movember which is going on now. We’ve had about 400 people sign up to do that and all those donations will be matched as well.

David. Let’s say you are Tony Harrington for a moment. Picture the firm without any corporate giving or any volunteering or any support for the not-for-profit community. What does it feel like?

Sarah. Well it’s not an organisation that I’d want to work for! It would feel somewhat soulless. We talk about core values such as develop, achieve, inspire and the importance of our people - to say these things and not to live these values would not be right. I also think it would mean we were well behind the times too.
David. Do you think it could commercially disadvantage you as well or potentially influence you reputationally?

Sarah. Well definitely in terms of recruitment.

David. I have had it said to me that it’s hard to measure all this stuff and what benefits the giver might receive, but you know it when its there.

Sarah. Tony Harrington has had some really important things to say about this and you’ll find it in ‘Why Bother’. If possible I’d like to get a copy of what we’ve discussed and probably have Kathryn look over it also as she might want to add something.

David. Yes of course I’ll send you the transcript and from a research perspective it would be valuable to have more than one source of comment within each case study so if it were possible to talk briefly with Kathryn at some stage it would be very helpful.

Thanks so much Sarah for your time and insights, it’s been very valuable for me. I think that being able to publish the experiences of the PWC Foundation in the study will assist with the growth of other corporations engaging with not-for-profit partners and hopefully the growth of this whole area.
Telephone Interview with Maria Simpson, National Manager Telstra Community Investment, 20-12-2007.

David. Do you have a matched giving program or similar initiatives at Telstra?

Maria. We don’t have a matched giving program at Telstra.

Telstra promotes economic and social well being through providing shareholders, employees and other stakeholders with the benefits of its commercial operation and the payment of taxes. We regard this as meeting the company’s requirements of operating within the society and initiatives beyond this are discretionary.

Some $212 million is spent on the provision of services such as free message bank to itinerant and homeless people so they can stay in touch with their families. Telstra also provides pensioner discounts and coupons to community organisations again to facilitate communication.

David. Why participate in the optional initiatives?

Maria. There are a whole range of complex issues. There is strong shareholder expectation that Telstra will support the community via contributing to the enhancement of both capacity and capability within the community. Telstra’s over-arching philosophy is that it “needs to make sense to our business”. Telstra Consultative Council.

David. Telstra’s prime focus is to support through the use of their core competencies?

Maria. Through technically skilled people. It’s not just about giving money. How can we contribute in a way that makes sense to our business. How can Telstra bridge the gap in regard to social and geographic isolation? Free Next G to Vic Fire? To give them real time data. Telstra responds immediately to emergencies so that communities can remain in communication, we see this as being very important”.

Post the Tsunami we had to decide how to respond and we decided not to give money but to provide services. We saw it as vital to keep emergency services operating.

What matters in emergencies or disasters is that we keep people connected

Climate Change – We believe in managing own use of resources first. We have produced a report called “Toward a High Bandwidth Low Carbon Emission Future”, it shows a saving of nearly 5% of national energy consumption.
Interview with Melinda Buckland, BHP Billiton National Manager, Head of CSR Group, 6-12-2007

David. So let’s start with what for some people would appear to be a paradox which is why would a profit making company give its money away by engaging in corporate philanthropy?

Melinda. Let me pick you up on some language first. I really hate external people saying we give our money away and still some internal people say “Oh you’re the group who give our money away”. Because I really don’t think we give it away at all. That may have been the case 10 years ago when the Chairman said “this is my favourite charity and I would like the company to give them $10,000” but it’s certainly not the way we operate now.

Also I don’t use, and try and impress upon other people, not to use the term “corporate philanthropy” for the same reason. For me this means giving that can be anonymous as well as providing some recognition and its not my money, it’s the shareholders’ money and I don’t think that I can give it away and I don’t feel that I can give it to an organisation without some business case behind that. It has to make sense for the company.

So the business case for us as a resources company is largely our social licence to operate. So 90 – 95% of our community investment goes on around our business operation. It is managed locally, the budgets are handled locally, and they don’t come to me for approval. They have their own set of guidelines which are of course aligned to corporate guidelines but they operate locally. What they do is report through to me centrally so I can consolidate this and report on the activities nationally. I set policy and assist with standards. We run a decentralized business model, with a small corporate centre, and getting smaller. We now have nine businesses with their own business presidents, their own HR, Finance etc and their own CSR.

We do the “Guide to Business Conduct”, set business ethics etc. and ensure that educational programs are rolled out. Also sustainability policy and below that 15 standards that all of those businesses have to meet. Two specifically relate to this field. One is “Community Consultation Standard” and one under “Indigenous Rights”. All of our businesses have to meet those requirements and they are audited by an independent team every three years. They get a score which goes up to senior management and they have to do business improvement plans if they are not up to scratch. Where they are doing really well their practises are promoted to other business units.

David. At a senior level would there be people within those organisations who have KPI’s and bonus structures linked to this?

Melinda. Right through the company our bonuses are linked to health, safety, environment and community. The CSR group or whatever you want to call it is integrated with Health, Safety, and Environment. On this floor we have these groups and Security. We do all the non financial reporting through this group. This is integrated into everyone’s score cards.

At a business operational level, even team level, they’ll determine what those KPI’s will be. I’ve been out to one of our aluminium smelters in Southern Africa where the team has decided that they are going to do X number of hours community volunteering in their own time, so that becomes their KPI and their bonuses are linked to that.

David. You have a matched giving program and if I understand it correctly that could encompass a financial donation or a volunteering donation. If someone does some volunteering in their own time, how does the company match that?

Melinda. They can give cash, they can fund raise or they can volunteer. So cash is dollar for dollar.

David. Is it capped?

Melinda. Yes, $50,000 per employee.
David. Seriously!!

Melinda. We started out at $1,000 five or six years ago. Chip Goodyear, the CEO loved the program so much he said “no, no, no” so we increased it to $20,000 and last year we increased it again. If someone is prepared to give generously then I think the company should support them in doing that.

David. There’s no Risk Management Accountant having a heart attack in a back office somewhere right about now?

Melinda. It’s really hard to do the budget. Even though it’s been going five years we piloted it for two years in three countries and gradually ramped it up in countries like Russia and China and Chile. There’s really no trend at the moment although it is going up so it is difficult to budget twelve months out. Already this year I have had to do one adjustment to the budget already as it was way above what I thought it was going to be. Chip was great about it he loved it and said I don’t care if you go above the budget but we are about to get a new CEO so we’ll be testing that fairly soon I think.

David. Has anyone ‘maxed out” at the $50,000?

Melinda. Oh yes, some of the guys on level 28 and the other employees who do that through the fund raising and we’ve had a number of employees that have fund raised up to that level. Fundraising is also dollar for dollar. They have to be the lead person and to have run with that. They can’t be a school committee and raise $10,000 and say I was one tenth of the committee. They have to be able to demonstrate to us that they have been a leading person and actively participated. There have been some amazing stories.

David. Do you know if people question whether these programs exist when investigating possible employment with BHP Billiton?

Melinda. Absolutely, The HR people say that in particular the younger people, the graduates, are turning it around now and instead of you interviewing them they are interviewing you and asking questions around this area.

The third area is volunteering and instead of giving everyone 8 hours off or 16 hours off a year, when we were first setting up the program we did some research with employees and our business is different to the banks or PWC in that although we’re in the office something like 98% of our people work in rural and remote areas and do 12 hour shifts and do fly in and fly outs etc.

So when we went to those people and asked them what they did in the community and we found that there was a high percentage of volunteering and they worked in the SES, they were the footy coach, they helped raise funds and were already very engaged in the community. So we felt it would go over very well if we said “hey guys we are going to give you 8 hours off every year so you can volunteer”. So we didn’t go down that track.

This program has become quite locally focused and I imagine that quite a high proportion of funds from this program go back into the local community. So we made it very broad and we have quite accommodating requirements and there is no limit on the number of organisations that we’ll support. Basically it is any organisation that benefits the community and it doesn’t have to have a DGR status.

David. DGR status?

Melinda. Deductible gift recipient, so a registered charity. So that accommodates the very small community groups. We started with all sporting groups but ended up with all junior sporting groups, so a lot of our guys will coach the junior footy team. It has to be face to face hours where they are coaching or refereeing. They can’t be a back office manager.
The other restriction is religious organisations for religious purposes. So if you are fundraising to build a church; then no. If you want to give money to the Salvation Army for a broader community purpose, then fine. So faith based organisations for general community activities. No political parties. So not too many restrictions. Last year I think we reported about 880 organisations on the list. It is administered by Charities Aid Foundation.

So for the volunteering the way it gets matched is $10 for every hour they volunteer. So if you went out all weekend and volunteered at a surf life saving carnival and did 25 hours you could claim 25 hours and after having an official sign off to verify it, $250. So it’s really been well received by our employees as they get to choose.

**David.** It would seem also that $10 is not a strong enough inducement to go and do it for the money. You wouldn’t give up time with your family for $10 so it really targets those people with a good heart who are going to do it anyway.

**Melinda.** And it means that they have to be passionate about the organisation, and its not that the company has decided. It almost caters to the individual themselves.

**David.** A minor detail but do you pay that $10 to the individual pre tax and is any FBT payable?

**Melinda.** FBT?

**David.** Well it seems that in a way it’s an additional form of salary?

**Melinda.** Oh no. Oh no. It doesn’t go to them. They are doing this for their charity. I would never have thought that you would think that we’d pay them to volunteer.

**David.** So the charity gets the hour of volunteering which is in the individual’s own time and the company gives an additional $10 to that charity.

**Melinda.** Yes.

**Additional Notes:**

**David.** I have one additional case study to go and haven’t settled on which company that should be yet. Do you have any suggestions?

**Melinda.** Alcoa have received a PM’s Award for their support of the Kidsafe program. Yes, they’re next door to us here. Jill is very good. In the end it all comes down to people. We try to get the committee out to see the projects rather than just working from the proposal that has come in. We try and have a good geographic spread on the committee to be truly representative.

**David.** Suggestions for enhancing the engagement of companies and not-for-profits?

**Melinda.** There needs to be a much deeper discussion of each others organisations. Both companies objectives need to be considered. There needs to be a much greater focus on the professional development of this function. You wouldn’t send an untrained person out to build a dam, so why send an untrained person to work in this field? It is a specialization that needs to be developed.