Q: What are the potential pitfalls or sensitivities to look out for when a company considers plans to start, or increase its philanthropic efforts? I get the feeling that it is mostly not altruistic and many corporate organisations have publicity or bottomlines in mind when doing such things. So what really is the payback for the company?

– Kellie Chua

A: We live in a time period where demands on companies go beyond capturing and maintaining market share, generating profits, and continued business survival. A look at the Fortune 1000 over the past several decades demonstrates how hard it is to gain and maintain one’s place in a competitive global economy. At the same time, 84 per cent of chief executives in a global survey by the US-based Committee Encouraging Corporate Philanthropy (CECP) believed that society expects more of business than was true five years ago.

One response to increased societal demand has been corporate commitments to, for example, create better environmental management and reporting systems, reduce carbon footprints, and decrease industrial waste (by far the largest part of both solid and particulate waste streams). These commitments are spelled out in documents such as the UN Global Compact and the Singapore Compact.

Marks & Spencer in April 2011 announced its “Autograph Leaves” collection of independently certified, “carbon-neutral” women’s lingerie. The effort focused on manufacturing facilities in Sri Lanka, where new hydroelectric power from a nearby river and solar panels reduced plant emissions by 33 per cent, 12 suppliers reduced their emissions in creating and delivering the 21 required component parts, and reforestation efforts resulted in the planting of 6,000 trees linking together two forests to provide migratory paths for wildlife as well as 25 per cent of the trees producing fruits that bolstered the local economy. These outcomes are both good for business (as you noted) and good for society.

A local example is the SingTel Group, which has substantially reduced emissions, carbon footprints and waste in recent years resulting in both higher profit margins in the longer term and less harm to the environment. Simultaneously, the company increased charity in the form of disaster relief for example, as well as engaged in philanthropic efforts that provided free educational materials (both print and electronic), opened up Internet access to disadvantaged populations, improved the use of technology by teachers and students in schools, provided undergraduate scholarships for students, and allowed all employees to give one volunteer day per year to improve their local communities.

Yet, doing philanthropy well is difficult. The same CECP survey found executives saying that only 20 per cent of corporate philanthropy efforts were very or extremely effective. So the best in Asia and elsewhere is still to come!

– Dennis W Cheek and Audrey Chia, Asia Centre for Social Entrepreneurship & Philanthropy, NUS Business School