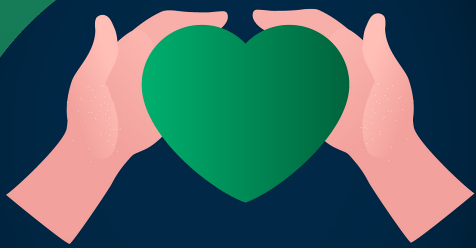
AUGUST 2024

Corporate giving: Unlocking slivers of value to address social challenges

By Dr Marc Levy



Right thinking

14 of the ASX 50 companies are already contributing at least 1% of pre-tax profits to the communities of which they are a part. With Australian business profits approaching one trillion dollars (eat your heart out, Austin Powers), the upside for corporate philanthropy is tremendous. Normalising the 1% Pledge in the Australian business community, as proposed by Atlassian, Salesforce and others, would be a major driver.

Australian business pre-tax profits are around 830 billion dollars (ABS, 2024). Concurrently, the social challenges facing the nation are materially underfunded – fiscal constraints, a comparatively weak individual giving culture.

Unlocking just 1% of pre-tax profits for corporate giving, could mean billions of dollars of additional funding going into addressing homelessness, the mental health crisis, domestic violence, insecure work, and other intractable social problems.

Recently, each time I've made a presentation about the role of business in addressing social problems, I've asked the audience to raise their hands and only put them down if they agree with one of 3 propositions:

- enough business capital is going into addressing social problems
- most businesses are doing a good job of balancing profit and purpose
- most senior managers have the tools they need to successfully hold the tension between profit and purpose.

Nearly all the hands stay up.

So, what's the problem? What's stopping some businesses from getting behind their purposive pronouncements?

To be fair, some leading Australian companies are already giving more than 1% of pre-tax profits, in line with an aspect of Pledge 1% initiative,[1] 14 of the top ASX 50, including Coles, Woolworths, CSL and Telstra (Patten, 2023).

The reasons companies like this give are compelling, but diverse: to earn their social license; to strengthen or repair their reputations; to enhance their customer or employee value propositions; to accede to corporate and industry norms; to respond to stakeholder demands.

There is strong support from influential theorists. More than 20 years ago, the world's most famous strategy professor, Michael Porter, with his Harvard colleague Mark Kramer (2002), called on businesses to bring their social and economic goals into alignment by using their charitable efforts to improve their competitive context; that is, the quality of the business environment in the location or locations in which they operate. At the Philanthropy Australia Conference 2024, we heard a compelling example of Latinas in Tech, a group that helps develop and diversify the next generation of tech talent, supported by leading Silicon Valley firms.

There is no shortage of 'why arguments', but there is the question of 'how'.

Before I go deeper on how, the drivers I think we should prioritise to grow corporate giving, it's useful to contemplate how much corporate giving there is in Australia today and what we might aim for. With these data points, we can take a top-down view of how much corporate giving we need to unlock.

Let's start with the baseline. How much are corporates giving now? Strive Philanthropy publishes a report annually on the top 50 corporate givers, drawn from 75 of the ASX 100 with eligible community contribution disclosures, selected high revenue private companies and corporate aligned foundations. In 2023, they estimated that the top 50 contributed $1.4 billion (Miles, 2023).[2] Corporate giving is concentrated: the top 10 contribute around two-thirds of the $1.4 billion. In estimating the total, the tail is likely to be long. Perhaps the baseline is in the order of $2 billion, but that's a guess. The Productivity Commission rightly made more and better data on corporate giving a focus of its recent philanthropy review recommendations to government (Productivity Commission, 2024).

What about the target? One per cent of Australian business's pre-tax profits is already an established, albeit, 'stretchy' target, proposed by JBWere and others (McLeod, 2022; Rosevear, 2023; Miles, 2023). No matter how well organised the effort to grow corporate giving though, it is unlikely that everyone will sign up, so perhaps the target should be $5 billion by 2030. The government aims to double giving by 2030 (Leigh, 2024); that's broadly consistent with setting a $5 billion target, if we assume that corporate giving is going to have to do more than its share of the lifting.

The simple answer relating to how to get there is to 'sure up' the above list of reasons for corporate giving. However, as previously noted, these reasons resonate in distinctive ways for different corporate givers. Each company will have its own combination of reasons, some related to reputation ballast and customer value proposition and others to engage employees and 'keep up with the Joneses'. If we really want to take an organised approach to growing corporate giving, we should instead focus on those factors that are controllable at the system level. What can we do at the system level by way of moral suasion, improving the evidence base and creating conducive conditions to foster a giving mindset among corporates?

[1] Pledge 1% is a global initiative that encourages companies to donate 1% of their time, product, profit and/or equity to a charity of their choosing https://pledge1percent.org

[2] The Australian Financial Review Corporate Philanthropy 50 list, which determines eligibility for its list based on a percentage of pre-tax profits in that year (rather than on a 3-year rolling basis, as generally used by Strive Philanthropy) put the number at $1.5 billion (Patten, 2023).

Like many problems we come across in our work, there are likely to be a small number of high impact 'drivers', the 'slivers of value' referred to in the article title. The first and most obvious driver is compounding. Corporate profits grew around 7% per annum between 2019 and 2024 (Trading Economics, 2024); compounding the $2 billion at 7% over the years to 2030 could contribute as much as $800 million, albeit that profit growth may not be as high in the next 5 years when compared to the last.

Getting more companies to contribute 1% of pre-tax profits to giving – by, for example, establishing industry norms, activating influential stakeholders and recognising leading givers – would make a big difference. Strive has estimated that getting the materials and financial services companies in their sample to 1% would add around $650 million (Miles, 2023).

Workplace giving is another big driver. Workplace Giving Australia estimates that if Australians gave at half the levels of Americans, and the current corporate matching rate held at around 60%, that could amount to another $700 million (Workplace Giving Australia, 2023).

Getting more corporate equity into the hands of foundations, in the manner of the industrial foundations of Northern Europe, is another potential driver. In 2023, the Novo Nordisk Foundation made donations of more than AUD $2 billion (Reuters, 2024). Novo is a standout, but other majority foundation-owned companies like Carlsberg, Boche and Rolex all make very large philanthropic commitments. Socially minded private company owners looking to transition their corporate structures should be considering giving, or selling, an equity stake to their foundations, unlocking future dividends streams to address societal challenges.

In 2022, I restructured Right Lane Consulting into a majority foundation-owned enterprise. Read more about that here https://www.rightlane.com.au/wp-content/uploads/2023/08/Right-Lane-Review-Aug-2023-Right-Lane-Foundation.pdf

In recent years, Right Lane has invested more than $1.5 million in consulting engagements for organisations low on resources. On current numbers, under foundation ownership, we hope to increase our annual investment 3-or 4-fold.

There are other priorities that need to be added to the list. Some of them won't contribute directly to the challenge of increasing corporate giving to $5 billion, but they will support it. The mix of cash and in-kind donations may be off kilter. Cash donations were only $550 million in 2017-18 (Philanthropy Australia, 2022). They are presumably more now, but the available data is limited. What proportion of the $5 billion should come from cash and in-kind donations? Perhaps we should account consistently for the value of volunteering and engagement too, but should these values be separate to the $5 billion target?

Certainly, we need to improve the data we collect and the way it is reported. The Productivity Commission has recommended to government that it require all public companies to disclose their rate of community giving (Productivity Commission, 2024), and this should go further to encompass private companies through their tax returns.

Peer comparison, further scholarship on impact, and platforms and systems will play a part too.

Governments should properly fund essential social services; but corporates can play a distinct and complementary role. Their giving can reduce the risk of income concentration, and be more ambitious, 'catalytic', flexible and responsive. It may also allow recipients to advocate more freely regarding government policies.

Corporate giving represents a massive growth option for the philanthropic sector in pursuit of the Commonwealth Government's objective to double philanthropic giving by 2030. Unlocking this value will require an organised, concerted effort at the system level.

Want to know more?

If you would like to discuss this article in more detail, please contact

Dr Marc Levy: marc@rightlane.com.au

The author would like to thank Adrian Halimi for his research assistance on this article.

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About Right Lane

Right Lane is an ethical management consulting firm serving the purpose economy.

Our vision is to build a strong Australian purpose economy that delivers a fairer and more prosperous society.

We employ our distinctive ideas and processes, and our absolute commitment to delivery, to help clients we care about pursue their inspiring missions.

We work alongside clients who do great work in their sectors, and we are driven to create outcomes that truly make a difference.

Right Lane was established in 1997 to help private, not-for-profit and public sector clients to clarify and accelerate their future plans. Over the past 27 years, we have helped the executive teams and boards of around 500 organisations to define and adapt their direction and strategy, identify and clarify their priorities, align their efforts with their aspirations, get their major projects started and finished, and measure and improve their performance.

Right Lane became the first strategy consulting firm in Australia to be B Corp certified in 2015. Right Lane has since recertified as a B Corp in 2017 and 2021. Certified B Corporations meet higher standards of social and environmental performance, transparency, and accountability.

Taking this commitment one step further, in July 2022, we transitioned to majority foundation ownership – the first Australian consulting firm to adopt such a structure.

rightlane foundation

Certified B Corporation

Right Lane becomes the first Australian management consulting firm to become foundation owned.

In recent times there has been increasing public focus on the role played by professional services firms. Important questions have been raised about the value firms have delivered, particularly on projects involving the use of taxpayer funds. We are deeply conscious of our role in society, and we believe a conversation on the public value delivered by professional services is long overdue. To that end, Right Lane Consulting remains committed to its purpose of contributing to a better society by helping organisations that do good, do better. We are a proudly ethical consulting firm demonstrated by our foundation ownership model, the clients we choose to serve, our commitment to our low and pro bono program, and a service model that reflects our ability to keep our rates competitive and add value to our clients.

We back our model and believe it provides a way of doing consulting differently and better.