Corporate Contributions:

Altruistic and Profit Oriented

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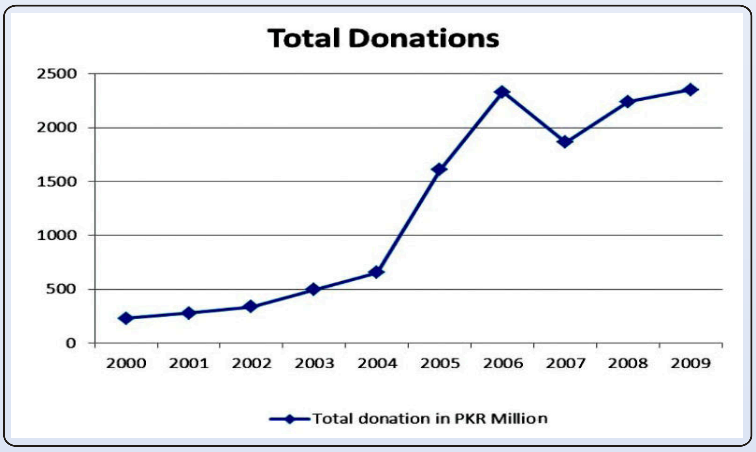
Corporate Social Responsibility:

Corporate Social Responsibility (CSR) is defined differently by different researchers but the crux of all definitions is behavior of firms to serve community by alleviating poverty, fighting against diseases and protecting environment that is beyond its legal responsibilities. Business for Social Responsibility (1995), defined corporate social responsibility as “achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment.”

The traditional view about CSR is managers have no right to spend shareholders wealth on CSR, as researchers found that it create agency problem. According to Friedman, managers are not qualified that how to spend on social activities so they must focused only on one goal that is wealth maximization for shareholders. But latest research in field of CSR provides that socially responsible behavior of firms can be used as advertisement tool to create moral capital. Firms with significant level of moral capital can retain good employees, augment their motivation level, attract investors and enhance the shareholders wealth by increasing sales revenues, profits, and market value of company (Godfrey, 2009; Fry, 1982; Rosenthal, 1985; Dominic 2010)

Corporate Philanthropy(CP):

While the notion of socially-responsible investing is often a vague and ill-defined concept and therefore extremely difficult to quantify, there are never the less, a cluster of core issues which describe the practice. Among the most common issues are the following: environmental concerns, community relations, military contracts, nuclear energy, product quality, consumer relations, employee relations and philanthropy. However CSR as corporate Philanthropy is getting more famous with passage of time as it is measureable and visible and is more reliable measure of corporate social performance. Godfrey (2005) defines philanthropy as an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by entity acting other than as an owner, and claims that all rational managers should participate in philanthropic attitude because such activities benefit shareholders.



Source: Pakistan Center for Philanthropy

Corporate philanthropy plays its role in twofold:

Corporate giving, provide advantages to firm in the long run by developing its image in the eyes of those with whom the firm is connected so it work as insurance policy and preserve shareholders value in negative events. Philanthropic activities must be a part of strategic plan like other advertisement tool. Studies of Porter and Kramer (2006) provides that if philanthropic behavior of organization is unfocused then Friedman's view is right, that managers are not trained to participate in social activities and thus such activities would not benefit the organization. However, if the philanthropic behavior is part of strategic plan then it will be able to achieve financial or economic benefits for the organization. Moreover the results can be achieved by providing proper disclosure to these activities. Mohr (2001) explained that in order to achieve positive affect of CSR on consumer retention, consumers must be aware about CSR activities of firm.

On the other hand corporate philanthropy is helpful for community. In donating funds to social causes such as education, healthcare, culture, community and environment etc, firms are augmenting the welfare of societies beyond the goods and services they produce.

Corporate Philanthropy; global scenario:

Globally companies increasingly see corporate philanthropy as a way to provide benefit to the communities where they are located. In return companies have actively sought business benefits from their philanthropy programs as well, specifically aiming to enhance their corporate reputation and brand which could help attract socially aware customers and ethical investors. In 2008, McKinsey & Company conducted a global survey of 721 corporations on the state of corporate philanthropy. More than 70 percent respondents reported that they were aiming to improve their corporate reputation and brand through philanthropy.

Corporate philanthropy; in Pakistan:

It is indeed heartening to know that in Pakistan the corporate sector is also embracing philanthropy. Pakistan center for Philanthropy (PCP) estimates indicate that corporate contributions have multiplied by more than 14 times over the last seven years. Such corporate giving can play their role in betterment of society as well as a reputational tool for organization.

According to the Human Development Report 2011 released by UNDP, Pakistan is among countries which are as the lowest in human development. Given this high level of social and economic deprivation, the positive role of corporations are crucial along with government. Following are recommendations to achieve efficiently twofold purpose of Corporate Philanthropy.

Recommendations:

- Firms must adopt a strategic approach to CP programs.
- McKinsey survey (2008) found that only 20 percent of senior executives believed that their corporate philanthropy is effective in achieving social goals. Therefore, institutions must adopt CP focus and communication strategy, such as through their annual reports and websites, for both internal and external stakeholders to give CP initiatives greater visibility among its internal and external stakeholders
- Institutions must need to put in place verifiable criteria for measuring and monitoring achievements of CP initiatives. The criteria must measure the impact on both dimensions of business performance and society's well-being.