



# THE ENLIGHTENED CORPORATION IN MODERN SOCIETY

**E**XPECTATIONS of corporations have changed markedly in the last few decades. It would be a brave CEO indeed who would today publicly back economist Milton Friedman's 1970 claim that the *sole* purpose of a corporation is to maximise returns to shareholders. Nonetheless, the debate on the responsibility of the modern corporation in today's society continues.

Most companies now practice, or at least profess to practice, some form of so-called enlightened self-interest – acting in the interests of a range of stakeholders from employees, customers, business partners to the broader community, in a way that has minimal social and environmental impact. But it's not always clear whether this approach is little more than a brand building exercise, or a genuine

regard for the interests of the wider community.

And inevitably, conflicts arise. What happens when the interests of different stakeholders are at odds? Who, in fact, determines what actions are in the best interests of the broader community? What is the time frame for managing these conflicts, particularly when institutional investors are seen to demand strong short term earnings performance? What is the role of government if the market solution is not viewed as the right solution? And who decides what is the right solution anyway?

AMP is in a more fortunate position than many others to grapple with these issues. Our heritage is rooted in community involvement and our very purpose for being is noble and valued by the community in which we live and work. The three public-spirited men

*Like almost every other aspect of our lives, the role of the corporation is changing as it struggles to find its place in our society.*

*Andrew Mohl, CEO of AMP, explains how one of our oldest and most influential corporations is drawing on 160 years of history to define its social responsibilities.*

help Australia – and AMP – grow. This mindset gave AMP an active and powerful role in building modern Australia – from the development of Canberra to the post WWII South Australian land scheme to financing for the Sydney Harbour Tunnel.

While it no doubt appears trite to many outsiders, this sense of doing work that really matters – a sense of social purpose – remains rooted in AMP's culture today. Significant changes such as the shift from a mutually-owned society to a publicly-owned company, to the problems AMP encountered with offshore expansion into the UK several years ago, may have radically changed our business model, but the best elements of our cultural heritage are still a key part of our corporate DNA.

Most companies don't have the benefit of this long community engagement. And in any event, what's right for AMP will not necessarily be what's right for other companies. For us, it's what employees and the broader community expect of AMP and it's firmly in line with our business strategy.

The way AMP defines its social responsibilities today is quite broad and has evolved over the years. We hesitate to use the term Corporate Social Responsibility as it's already a somewhat hackneyed phrase and in any event, means many different things to many different people. We believe that what's right for AMP is to identify and act on a small number of social and environmental issues that are close to, and add value to, our core business and where we can make a real difference. When an issue falls outside these criteria, we will leave it to others to address. So we look at our social responsibility from four perspectives: community, marketplace, workplace and environment.

These activities run the gamut from advocacy around national retirement savings issues; responsible supply chain management; an engaged and motivated workforce; using our influence as a major

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who founded AMP almost 160 years ago – a clergyman, a business entrepreneur and a wool merchant – did so based on the belief that financial security enabled people to live with dignity. Their company motto was *amicus certus in re incerta* – 'a sure friend in uncertain times'.

**A**S HISTORIAN Geoffrey Blainey noted in his history of AMP, published in 1999, AMP is one of the few unofficial institutions that has pervaded national life in this country. As Australia developed, so too did AMP. Its investment and community involvement contributed to the development of Australia through boom times, depressions and wars. In the early 1900s, AMP's board decided that investing in large building and property projects would

investor to encourage strong corporate governance; and of course to our philanthropic giving through the AMP Foundation. We are also clear that our actions must speak louder than our words, so we take a low key public approach to ensure the maximum amount of spending goes into our social responsibility activities and not their promotion.

But while this works for AMP, there's really no 'one size fits all' approach to how a corporate should define its social responsibilities – it's whatever suits its strategy, culture and financial circumstances.

One approach that has worked particularly well for AMP and many other corporates, however, and that will increasingly form part of the template for corporate behaviour in the 21st century, is what is often called *engaged philanthropy*. This involves more than

just writing a cheque, but in harnessing the talents and energies of a diverse range of people and organisations to make a real difference. For AMP, Social Ventures Australia (SVA) has been a large part of our move to this model.

How this will apply in practice will vary from organisation to organisation. But it's undoubtedly time for organisations to think more strategically about how their philanthropic activities can make a real difference to some of this country's pressing social problems. Too often, philanthropy is seen as a business development tool or as a vehicle for persons in power to promote their special interests. The expectations and differences between philanthropy and sponsorship are also still too often blurred.

For AMP, our objective in philanthropic investing is to increase the community's ability to take care of itself by providing a 'hand-up' rather than a 'handout'. We'd rather help a township work out how to build a fence at the top of a cliff to stop people falling off, than fund an ambulance to wait at the bottom to collect them when they do (with apologies to Joseph Malins, who used this analogy to pen a poem on the virtues of philanthropy versus charity – astonishingly, close to a century ago).

**F**OR AMP, our philanthropic giving is directed through a separate charitable arm, the AMP Foundation. This Foundation had its roots in the 1940s, following a visit to North America by two AMP Medical Officers. AMP subsequently led a group of life insurance companies to sponsor research into the prevention, diagnosis and treatment of the number one killer in the Western world at that time – heart disease.

The AMP Foundation was subsequently launched in July 1992 but received a significant boost in the late 1990s (due largely to the efforts of the then-CEO, George Trumbull). Its asset base today exceeds \$130 million and its annual distributions over \$5 million.

In the early 2000s, the Foundation undertook a detailed review to look at the most effective use of its funds. This determined that the best way forward was to take practical initiatives to address broad community needs, rather than make sometimes esoteric donations to a large number of small groups.

The Foundation recognised it should partner with community organisations that were effective, well managed, and committed to measurement and continuous improvement, as well as to fund innovative programs and organisations that would 'push the boundaries' to achieve social outcomes.

As a corporation involved in helping people manage their financial well-being, there was a desire to build the capacity of the non-profit sector itself, to help build more self-sufficiency and sustainability.

AMP has also continued to encourage and empower its employees and self-employed financial planners to fundraise and contribute in their local community or workplace to help the causes they care about, and increasingly in recent years, to use their skills to help others.

The Foundation today focuses on two key areas: capacity building in the area of youth unemployment and non-profit capabilities; and community involvement, which facilitates the involvement of our employees and planners.

The area that's experienced the largest growth in recent years has been our community involvement. In 2006, around one-third of AMP's employees took part in a volunteering event. This figure has seen a steady increase over recent years and our employees no longer see these activities as a nice-to-have. In fact, questions about volunteer opportunities are usually the most frequently asked as part of our graduate recruitment process.

But while there's no doubt that corporates could – and in fact are – doing more to help create the type of Australia we want, there's no doubt the non-profit sector also needs to come to the party.

While I doubt there's been a charitable organisation created that wasn't born out of a desire to make a difference, sadly that's not enough. There are way too many charities, and too often not enough transparency and accountability. While an element of chutzpah and bravery is an essential ingredient for any social entrepreneur, the successful ones realise that good intentions aren't enough to cut it.

And that's where organisations like SVA do so much to make a difference. In its short life, SVA has worked hard to bring business principles to a number of innovative non-profit organisations and importantly, it hasn't tried to be all things to all people. It's also looked to work collaboratively with other organisations. For the AMP Foundation, SVA has been one of our most satisfying and astute investments.



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PHOTO: PATHWAYS FOUNDATION

**O**ne of our most significant achievements in recent years has been the Senior Mentoring Program that SVA has run for us, involving around 20 senior AMP employees mentoring the senior officers of charities. Where we can, we have tried to partner employees with charities that we have also been funding.

The stories we hear from the non-profit ventures that have been the recipients of our mentors have been inspiring and the benefits to our employees equally valuable, particularly in providing a bigger picture perspective of the societal problems we face.

For whether we like it or not, there's no doubt the community now expects business to take a lead in solving some of these more pressing problems. There's no doubt an enlightened philanthropic approach brings challenges, and certainly takes many outside their comfort zone. And while business alone is neither responsible for, or can be held accountable for, all of society's ills, a strong business-driven approach to addressing the disadvantaged in our community is at the heart of a true long-term solution. AMP has an important role to play in that regard and we will continue to push the boundaries and pursue new ways to contribute to a better community. ○