

## **SESSION II : Management of Corporate Philanthropy**

### ***Improving Corporate Philanthropy in Japan***

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Corporate giving and philanthropic activities by private enterprises are not yet common in Japan, nor is the need for such activities well understood. With some exceptions, corporate interest in philanthropy emerged only as recently as the 1970s, coinciding with the end of the era of rapid economic growth. Enterprises were faced with the need to embark on anti-pollution policies and maintain good consumer relations in a rapidly changing economic and social environment. According to a survey conducted by the Osaka Chamber of Commerce, in most cases, the primary goal of such activities was improving the company's image.

Public expectations of business enterprises grew around this time, as diverse social needs resulting from the rapid changes in Japanese society could no longer be met by the government alone. The standardized administrative policy being insufficient, the public realized that in an age of overextended government and national deficits, the private sector could be at times more efficient in providing social resources.

Corporations should keep a couple of points in mind in undertaking philanthropic activities. First, companies need to strike a balance between improving corporate image and sincere social concern. Too much emphasis on the former risks making philanthropy propaganda-oriented, while an overemphasis on doing social goods diverts a corporation from the purpose for which it

was formed. This delicate balance may be achieved by remembering that the interests of the corporation are also those of society at large, for, after all, it is a healthy and vital society which provides the basis for corporate prosperity.

A second consideration is whether to make charitable contributions directly or by creating a foundation. In theory, the method of giving is not important as long as appropriate and worthwhile grant recipients are identified. In Japan, however, the reality is that direct corporate giving is hindered by the fact that officers in charge of donations hold such philanthropic responsibilities only in addition to other corporate duties. Consequently, a clear policy of program priorities rarely exists for managing contributions systematically and efficiently. Therefore, it would be desirable for an enterprise to establish a foundation staffed by full-time professionals to implement an organized philanthropic program and to promote greater social awareness.

The advice of an American, Frank Koch, in his book called *New Corporate Philanthropy* merits attention as well. Koch points out that (1) enterprises should not fear embarking on creative adventures especially in areas where potential for social benefit is high, and (2) the greatest contribution of enterprises is to help those who make constructive efforts to help themselves.

Perhaps the most important point to emphasize is the necessity of developing capable professional staff in the philanthropic field. At the same time, it is necessary to conduct appropriate public relations activities. Improvement in these two areas would not only allow for better evaluation of grant applications, but would enhance the quality of contributions and promote the formation of programs most appropriate to given social needs.

The notion that "public interest" activities should rely on tax money runs strong even now in Japan. Yet governmental programs have their limits and face difficulties in meeting increasingly diversified needs. Philanthropic activities by the private sector thus can play a significant role. However, public understanding of the philosophy behind private philanthropy remains undeveloped, while the present tax system retains many disincentives to corporate giving.

Expansion of private philanthropic activities are of utmost importance to maintaining a flexible and vital society. Towards such ends, it would be desirable to increase philanthropic

activities that transcend the corporate framework, namely, through the strengthening of independent and private foundations.