The Impact of Corporate Philanthropy on Optimising Unequal Allocation of Social Resources

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Abstract. Corporate philanthropy is an effective means to help society reduce the various inequalities phenomena and promote social justice. The present research surveys about this topic focus on corporate donations or management but pay less attention to philanthropy methods and corporate foundations. The establishment and development of corporate foundations have become indispensable means for enterprises to engage the philanthropic activities. Therefore, this paper explores the conceptual development, establishment motives, objectives, operational process, and ultimate effectiveness of corporate philanthropic foundations to address the problem of unequal allocation of social resources. In this research, taking the Tencent Public Philanthropy Foundation as an example, and finds that a joint public welfare approach can better promote the establishment of charitable projects. For instance, Tencent Philanthropy Foundation has partnered with One Foundation, the former provides technical and financial support for future classroom projects, while the latter provides professional services and follow-up. The findings suggest that this joint public welfare collaboration is worthy of being used widely by corporate welfare foundations, because the collaboration can play a positive role due to a clear division of labour and professional means in philanthropy projects, and it also could be a new corporate philanthropic strategy in the future.

1 Introduction

Through searches of the CNKI literature database and Google Scholar, and found that corporate philanthropy has been analysed from a variety of disciplinary perspectives. For example, from the perspective of economic inequality, it was proposed that corporate philanthropy should serve as a supplement to the economy in the context of redistribution, rather than replacement [1]. It clarifies the status of corporate philanthropy in reducing economic inequality. From the finance perspective, Ronald W. Masulis and Syed Walid Reza found that corporate giving is positively associated with CEO charity preferences [2].

Corporate philanthropy does play a positive role in reallocating social resources and has a good effect in promoting employment and education for low-income groups. As Porter, Michael and Mark Kramer mentioned, Dream Workers SKG developed a project plan for low-income students in Los Angeles to provide relevant skills training needed to work in the entertainment industry [3]. This initiative effectively improved the education system resources and provided equal employment opportunities to poorer groups. In 2002 USA report, corporations contributed over $12.2 billion to charity [4]. In addition, the ultimate efficiency issue of corporate philanthropy is also a concern of many company managers. The corporate contributions in New York in 2008 showed that the main management issue for most respondents was how to measure the results of corporate philanthropy activities [5]. To help corporate managers know how companies benefit from philanthropic activities and encourage more entrepreneurs to join philanthropy, we recommend understanding the impact of corporate philanthropic activities on corporate social performance reputation [6]. Wonsuk Cha found that the employee’s charity behaviour is influenced by organizational support [7].

In addition, corporate philanthropy has rich strategic significance, it produces social benefits and economic benefits at the same time. Some scholars have shown that philanthropy is often an effective way or even the only way to improve competitiveness [3]. Taking Networking Academy as a typical example, it provides skills training for low-income groups, and then, the groups can apply for relevant positions at Networking Academy and provide financial benefits to the company. To better achieve the above-mentioned corporate charity activities, the establishment of corporate philanthropy foundations is necessary, and here are the reasons. Firstly, foundations can help companies determine the valuable donation investment, which includes assessing the different aspects of non-profit organisations, such as the funds raised, reputation, social relationships, etc. Secondly,
foundations have professional Managers and operators who can link multiple resources, communicate with social welfare organizations and evaluate the situation of recipients to ensure the smooth development of charity activities. Thirdly, it can also be effectively avoided by corporate executives dominating and controlling the foundation directly.

2 Corporate foundation conceptual overview and case study

2.1 Introduction of corporate foundations

Corporate foundations belong to non-public foundations and are mainly funded by corporate donations. They are closely related to the existence of enterprises and provide a platform for the implementation of corporate philanthropy. From the perspective of jurisprudence, corporate foundations are independent legal persons initiated and established by enterprises with civil liability and enjoy tax exemption policies [5]. In 2004, in China, the Regulations on the Administration of Foundations classified foundations as either public or non-public. The regulations encourage the development of non-public foundations, leading to the flourishing of corporate foundations in China. According to the Foundation Centre Network, there were 608 corporate foundations in China by the end of 2015.

2.2 Case study: taking the Tencent philanthropy as an example

2.2.1 The general situation

The Tencent Public Philanthropy Foundation is the first national non-public welfare foundation initiated by an Internet company in June 2007, in China. The Foundation keeps focus and supports the development of the community. According to the data of the 2019 to 2022 work report on Tencent Foundation's website, the research found that Tencent Foundation’s philanthropic activities have been active in public welfare and charity projects in the past four years, and it can be divided into two main categories: The first type is Tencent Foundation's self-initiated projects, include social construction, education development, science and technology support, poverty alleviation and poverty relief. The second type of project is chosen following national policies. For example, the poverty alleviation programme in extremely poor areas, such as the 'Three Regions and Three Prefectures', and the rural revitalisation. These projects have made significant contributions to social construction.

In particular, this study analyses charitable activities that use the second type of national policy as a flag, using the "Three Regions and Three Prefectures" poverty alleviation programme as an example, as shown in Table 1. In 2019, support will be provided to children in difficult circumstances and impoverished female high school students; to improve the inequality of educational resources in impoverished areas promote the fairness of educational resources; and make the learning and living environment for students better; in 2020, the foundation-supported project conducted teacher training, leading the growth of the province's primary and secondary school teaching force and improving the quality of school education in Yunnan Province; conducted poverty alleviation work in various fields such as education and health during the Guangzhou Poverty Alleviation and Relief Day; and donate 181,560 books to libraries in poor counties to enrich the accessibility of education in 2021, the same year, the foundation had been donated 181,560 books to libraries in poor counties to enrich the educational resources available; help built a basketball court in Haiqiao Village to provide a place for children and young people to play sports; and built a "classroom of the future" for Pengshui Miao and Tujia Autonomous County in Chongqing to help children in rural areas see the future.

2.2.2 The motives for its establishment

With the continuous development and progress of enterprises, the requirements of society for enterprises are also gradually improving, as early as the 1980s, there have been scholars have conducted in-depth research on corporate social responsibility. Scholarly research shows that the social group's expectation of the degree of responsibility that enterprises should assume is in the order of a pyramid, the most basic is the economic benefits provided by the enterprise, followed by the enterprise's requirement to comply with the provisions of the law, the next is the enterprise's ethical responsibility, and finally, the enterprise is expected to be a good citizen, which is then embodied in the enterprise's philanthropic endeavours [8].

This study argues that enterprises are gradually being given more social responsibility, fundamentally because they have sufficient economic strength and the ability to help society, so enterprises constituting charitable foundations can use their superior economic capacity as a material basis, and within the scope of complying with the laws and regulations and national policies, carry out corporate philanthropic activities with the moral values of nobility and the hope that the society will become better, improve the people's quality of life in the society, and ease inequality in society. Such philanthropic behaviour not only creates a better social reputation but also increases the corporation's recognition and visibility to the outside world.

Taking the Tencent Philanthropy Foundation as an example, donated up to hundreds of millions of RMB during the period of the new coronavirus epidemic and major disasters such as the Wenchuan Earthquake in Sichuan, and from the perspective of harvesting the non-price work advantage of the enterprise, the assistance of this corporate charitable foundation helped the government reduce the burden of expenditure, harvested
the government's goodwill. It also establishes a good corporate image in society and lays the foundation for the further development of the enterprise in the future.

Table 1. Brief description of the timing and content of the ‘Three Regions and Three Prefectures’

<table>
<thead>
<tr>
<th>The philanthropic projects for the ‘Three Regions and Three Prefectures’</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Topics</td>
<td>Living Water Program (LWP), rural Revitalization</td>
<td>Educational, Sports facilities</td>
<td>Educational, Healthy, Public Facilities</td>
<td>Educational</td>
</tr>
<tr>
<td>Targets groups</td>
<td>Village People in poverty</td>
<td>The poverty areas teenagers</td>
<td>Teachers and headmasters</td>
<td>Children and high school girls in poverty</td>
</tr>
<tr>
<td>Aims</td>
<td>Promote the rural revitalization</td>
<td>Reduce the school sports facilities inequality</td>
<td>Enhance the teacher’s qualifications</td>
<td>Improve the educational sources and school accommodation environments</td>
</tr>
</tbody>
</table>

The establishment, improvement and development of the Tencent Philanthropy Foundation has played a leading role in China's private enterprise philanthropy, and other Internet enterprises have gradually set up this type of charitable organization. According to the data of the "China Corporate Philanthropy Development Report", it can be seen that, as of June 2023, there were a total of 1,267 private enterprise foundations among 1,359 corporate foundations in the country, accounting for 93.23% of the total number of corporate foundations.

2.2.3 The establishment of corporate foundation by analysis of influencing factors

The article tries to analyse the reasons for private enterprises to actively establish corporate foundations, firstly, from the point of view of the enterprise's own development, the philanthropic behaviour of corporate foundations can bring a good reputation for the enterprise, promote the enterprise to better attract investment, and also improve the business environment and form a good business atmosphere; secondly, from the point of view of the state policy, the state has preferential treatment and tax relief policies for enterprises that set up philanthropic foundations, which Reduce the pressure of tax payment, the side proves the support of the national policy for this type of behaviour; Third, from the perspective of the social group's expectations of the enterprise, the establishment of charitable foundations is one of the paths for enterprises to fulfil their social responsibility, the development of enterprises cannot be separated from the social development of the community itself, and the need for social groups of support and trust, so in line with the needs of the people's development is also a strategic need for the development of corporate philanthropy.

Therefore, the establishment of corporate foundations by private enterprises is affected by several major factors, including political, economic and social masses, but the correct and positive development of enterprises can achieve win-win results.

3 The positive influences of corporate philanthropy on the distribution of social resources

Determining whether a philanthropic act can truly and effectively improve social resource inequality requires quantitative research and data evaluation, which is a lengthy process. Based on this background, to provide more intuitive feedback on the improvement of social resource inequality by corporations, this study mainly focuses on the areas that specific projects have implemented and where obvious changes can be observed, such as the improvement of educational resources and development of disadvantaged children in impoverished areas and access to medical resources for disabled children. For example, the improvement and development of education resources for disadvantaged children in poverty-stricken areas and medical resources for disabled children. The Tencent Philanthropy Foundation (hereinafter collectively referred to as the Foundation) is the first private enterprise in China to set up a corporate charitable foundation with a certain degree of developmental effectiveness and a strong reference point.

3.1 Improvement of inequality in educational resources

The Foundation's investment projects are mainly divided into two main groups: the first group: is schools or colleges that already have a certain level of education and scientific research capacity, and the second group: is children in remote mountainous areas with limited educational resources.
Inequality in educational resources is present in every aspect. To address this issue, several methods of assistance can be used to respond to different situations. One such method is to donate books to economically less developed areas, which can help alleviate the lack of reading materials in poor areas and enrich book resources. Secondly, the construction of 'future classrooms' in economically underdeveloped areas aims to promote the equalization of educational resources through the use of modern technology. The third objective is to provide living aid to poor students and impoverished areas, donate public facilities such as basketball courts and dormitory buildings, and promote equal access to educational facilities. Fourth, provide training for headmasters and teachers to ensure equality in the quality of education. Fifth, establish a service network for children in remote and poor areas, develop protection models and mechanisms, and address the challenges faced by children in difficult circumstances in a timely and effective manner.

Based on the analysis of the Foundation's 2019-2022 work report, it is evident that philanthropic efforts have increased over the years, resulting in more refined and improved charitable projects. The indicators have also become more precise. The clarity of the Foundation's charitable objectives is increasing, indicating ongoing self-reflection and improvement. Therefore, the Foundation's charitable path is worthy of objective reference and analysis.

3.2 Improvement related to inequality of medical resources

The high cost and difficulty of medical care have long been factors contributing to inequality in medical resources. Corporate Philanthropy foundations can play a crucial role in alleviating this inequality for specific groups. This includes enabling patients to access necessary medical resources, addressing funding issues for medical care, and developing fair criteria for assessing recipients of aid. For instance, in 2020, the Tencent Public Welfare Charity Foundation and Shenzhen Children's Hospital established the 'Medical Funding Program for Rare and Difficult Diseases of Impoverished Children'. This program provides medical funding for underprivileged children under the age of 18 (including 18 years old) who suffer from complex or difficult-to-treat conditions at Shenzhen Children's Hospital. The aim is to help them receive prompt treatment, regain their health, and resume their normal lives. The program has successfully alleviated poverty.

The project implementation has successfully addressed the issue of poor children's families seeking medical treatment and the uneven treatment distribution of children's medical resources. It has also increased the confidence of the children's families in the treatment and provided a reference for subsequent foundations wishing to improve medical resources. This will help corporate philanthropy take the lead in addressing the problem of uneven distribution of medical resources.

Using this project as an example, the basic process of funding will be explained: firstly, the preparatory work before the start of the project: identifying the recipient group, evaluating the funding input, choosing the platform to rely on, establishing stable cooperation and predicting the impact of the project. Next, the process of project implementation: formulation of the project implementation plan, identification and assessment of the eligibility of the beneficiary children, input and basis for distribution of the funding amount. Following this, we will provide a project stage report which will detail the project results, income and expenditure, self-assessment, and project experience. Additionally, some platforms for reference are provided in this document, such as local charities and care companies, large hospitals or medical social work departments.

4 Evaluation of the Tencent charity foundation's philanthropic behavior

Among the many projects initiated by the Tencent Public Welfare and Charity Foundation, the Future Classroom project was selected for evaluation in this study. The "k-12 Future Education Report" released by Google Education News states that the form and purpose of future education should be in line with the development and problem-solving goals of the current era, and the "China Smart Education Bluebook" also claims that intelligent education is a new form of education in the digital age [9], and the "Classroom of the Future" precisely fulfills and implements such policy guidelines. Scholar Song Weihua defines the concept of a "future classroom" as "a classroom that aims to cultivate students' 21st-century innovation ability, focuses on interaction, stimulates students' interest in learning, and promotes students' collaborative and inquiry learning" [10].

Through data survey and collection, the study found that the "Future Classroom" public welfare project jointly initiated by Tencent Foundation and One Foundation has established about 27 "Future Classrooms" in several townships with poor education standards, successfully optimizing the optimal allocation of advanced education resources. The project was officially launched on 31 November 2020 and will continue to develop and expand the coverage of the "Classrooms of the Future" in 2024. Currently, the project has been implemented in Pengshui County, Chongqing Municipality; Resource County, Guilin Municipality, Guangxi; Fuzhou Municipality, Fujian Province; and Taimusi Banner, Xilingol League, Inner Mongolia Autonomous Region, etc. where approximately 27 classrooms have been successfully constructed and put into service, and a further 10 classrooms are expected to be constructed in 2024. In the construction process of the "future classrooms", One Foundation has played a huge role in promoting and reflecting the joint public welfare approach, which is exactly what this study advocates and encourages.

5 Conclusion

This paper introduces the basic concept of corporate philanthropic foundations, analyses the motivation of enterprises to carry out philanthropy, and takes Tencent
Public Philanthropy Foundation as an example to summarize the paths for foundations to intervene and improve the inequality of education and medical resources. The benign cooperation between Tencent Charity Foundation and One Foundation illustrates the significance of joint charity between enterprises and other social organizations.

In this study, several shortcomings and deficiencies were identified. Large enterprises still account for the majority of participation in philanthropy, while small and medium-sized enterprises show insufficient enthusiasm and participation. Additionally, the internal governance mechanisms of corporate foundations are not perfect, and the lack of timely disclosure of information and public announcements can lead to credibility crises, such as the Guo Meimei Red Cross incident, which dealt a significant blow to China's philanthropic efforts at the time. Finally, bias may exist in charitable giving behaviour. Some enterprises may use charitable giving as a tool for benefit exchange to cover up or divert external attention from their intrinsic lack of social responsibility.

Overall, this study suggests that enterprises should have a clear sense of social responsibility, actively participate in the construction of charitable enterprises, establish professional charitable foundations, and build good cooperation with other corporations to promote the healthy and sustainable development of charitable enterprises. At the same time, the state and the government should propose new donation tax incentives to solve the problem of corporate donations, while strengthening the supervision to reduce the emergence of “deviant corporate foundations” and establish good models of corporate philanthropy.

References

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