What Do We Know About Corporate Philanthropy? A Literature Review

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EXTENDED ABSTRACT

Philanthropy is growing and expanding at a global scale. In various areas of the world, it plays an increasing role to address pressing social challenges. Facing financial distress and a battery of unmet needs for certain “public” goods, many governments have sought to encourage private contributions in order to share the burden with citizens, foundations, and corporations. Meanwhile, rising competition among nonprofit organizations for philanthropic money has led to the emergence of new fundraising and advising professions. Media coverage of the phenomenon has expanded recently with the 2010 “Giving Pledge” by prominent philanthropists Bill Gates and Warren Buffett.

Yet philanthropy is still a relatively marginal topic in management and social sciences. In the United States, where philanthropy is at the core of the American civilization, it is not until the 1980s that this phenomenon started to receive substantial scholarly consideration. To this day, literature remains scattered between different academic disciplines: economics, sociology, law, and business administration scholars have conducted research on a wide range of aspects, but a clear-cut picture of what we know about philanthropy and what we don't know is still missing. This is especially true for corporate philanthropy, which is the focus of the present research paper.

We understand corporate philanthropy (CP) as the act by which a corporation voluntarily donates some of its resources to address the root cause of societal problems, usually by financing nonprofit organizations. While in-kind donations and volunteering are sometimes included in this broad definition, we focus here of cash donations. Corporate giving can be direct or indirect, through a corporate foundation. It generally implies no direct corporate gains, but indirect returns and tax deductions are major incentives for corporations to pursue such activities. As our research will show, boundaries between CP and related practices and concepts like corporate social responsibility (CSR) and cause-related marketing (CRM) are not clear-cut. What is clear, however, is that CP is a key aspect of the contribution of businesses to the “common good” in society.
The purpose of this paper is to review the existing academic literature on CP, analyze the main findings, and identify gaps that could be built upon to further our understanding of this emergent phenomenon in the business world. More precisely, we want to conduct an in-depth, systematic, and cross-disciplinary literature review so as to delineate the boundaries of CP, to connect previously separate streams of work, to understand rival concepts and key stakes, and ultimately to contribute developing new theory.

To do so, we first searched the major scholarly databases (EBSCO Host, JSTOR, SpringerLink, Emerald, ScienceDirect, Wiley, SAGE Publications, and Google Scholar) for entries containing the following keywords in the title, abstract, and author-supplied keywords fields: philanthropy, philanthropic, philanthropist, giving. Of course, we filtered the results to exclude articles dealing with individual philanthropy or not mainly focused on corporations. Overall, about 75 items were found, downloaded, and stored. Second, we proceeded to read the abstracts and reference lists of the selected items. Off-topic entries were eliminated and we also discovered new ones to add to our selection. These new entries were in turn processed, until we reached data saturation: all relevant items referenced being already in our selection. More than 50 additional articles and chapters were identified. Third, we developed an ad-hoc coding scheme and proceeded to code all 125 entries. During this process, we intuitively identified thematic categories to sort and compare each entry. “Main findings” were then spread over in each of these thematic sub-categories.

Upon completion, we will be able to examine academic answers to four broad questions: What is corporate philanthropy? How is it organized? What factors, internal or external, influence it? What are its outcomes on businesses and society at large? Reviewing the literature will shed light on unknown territories as well. Whereas some phenomena – such as the impact of CP on financial performance or the extent to which the “principal-agent problem” affects CP – have been extensively researched, many other aspects of philanthropy have yet to be thoroughly analyzed. We are confident this effort will lead more management scholars to join the conversation.
What do we know about corporate philanthropy?
A literature review

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PRESENTATION OUTLINE

• Stakes and objectives
• Methodology & data overview
• Theme 1: What is corporate philanthropy (CP)?
• Theme 2: What factors influence CP?
• Theme 3: How is CP organized?
• Theme 4: What are the outcomes of CP?
• Gaps and future research
• Limits and perspectives
WHAT IS AT STAKE

- Philanthropy is a growing, global phenomenon
- Yet it still is a relatively marginal topic in academia

- A highly scattered academic literature
  - A complex, multi-faceted concept
  - A cross-disciplinary interest
  - Corporate philanthropy as a separate stream of research
RESEARCH OBJECTIVES

• A literature review: what for (Bourner 1996)?
  o Delimiting the field
  o Identifying key concepts, theories, authors
  o Connecting separate streams of work
  o Spotting gaps and avenues for future research

• “Analyzing the past to prepare for the future” (Webster and Watson 2002)
DEFINITION AND SCOPE

- Philanthropy: all voluntary transfers of resources from individuals or private organizations to serve public good and to improve human well-being.

- Focus on philanthropy by corporations, either directly or through a subsidiary organization

- Focus on contemporary practices worldwide, from a broad management perspective
• Search for academic journal articles and book chapters whose titles, abstracts or keywords contain:
  o philanthropy, philanthropic, philanthropist, giving

• Management, economics, sociology, and political science

• In the main academic databases: EBSCO Host, JSTOR, SpringerLink, Emerald, ScienceDirect, Wiley, SAGE Publications, Google Scholar.

• About 250 entries found
RESEARCH METHOD (2/3)

- Read abstracts and browse reference lists, then:
  - remove off-topic and non-academic papers
  - add relevant entries from references
  - repeat until data saturation

- 348 total entries found

- *Corporate philanthropy*: 144 entries, 41% of total.
**RESEARCH METHOD (3/3)**

- Systematic analysis of each entry through an ad-hoc coding scheme (Strauss and Corbin 1990):

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<tr>
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<td>Author(s)</td>
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<td>Localization of authors</td>
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<td>6.</td>
<td>Academic field(s)</td>
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<td>Method(s)</td>
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<td>Setting(s)</td>
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<td>9.</td>
<td>Type(s) of philanthropy</td>
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<td>10.</td>
<td>Research question</td>
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<td>11.</td>
<td>Broad research theme</td>
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<td>12.</td>
<td>Main findings</td>
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• A fairly recent topic of academic interest: almost no articles before the 1980s

Number of articles and chapters on philanthropy published per year since 1980
• Ditto for corporate philanthropy:
• CP is the leading type of philanthropy researched:

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of Entries</th>
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<tbody>
<tr>
<td>Corporate</td>
<td>144</td>
</tr>
<tr>
<td>Individual</td>
<td>109</td>
</tr>
<tr>
<td>Foundation</td>
<td>46</td>
</tr>
<tr>
<td>All</td>
<td>45</td>
</tr>
<tr>
<td>Household</td>
<td>26</td>
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Four broad research questions in the literature:

- What is philanthropy?
- What factors influence philanthropy?
- How is philanthropy organized?
- What are the outcomes of philanthropy?

Number of entries on corporate philanthropy classified by broad research question:

- What is philanthropy? 20
- What factors influence philanthropy? 66
- How is philanthropy organized? 51
- What are the outcomes of philanthropy? 45
• **About 14% of entries address this “evident” question**

• **Four streams of works:**
  
  o  CP as a form of “enlightened self-interest” (Mescon & Tilson 1987, Shaw & Post 1993, Smith 1996, Mullen 1997)
  
  o  CP as legitimate part of a broader CSR strategy (Carroll 1991, Sharfman 1994, Smith 1994)
  
  o  CP as a limited form of corporate involvement with NPOs (Austin 2000, Seitadini & Ryan 2007)
  
  o  CP and its boundaries with cause-related marketing (Burlingame 2001, Husted 2003)
WHAT FACTORS INFLUENCE CORPORATE PHILANTHROPY?

• The major area of inquiry: about 45% of entries

• Three streams of works:
  o “Internal” or firm-level factors (size, income, ownership structure…)
  o “External” or field-level factors (industry, product vulnerability, tax rates…)
  o Executive motivations for doing CP
WHAT FACTORS INFLUENCE CORPORATE PHILANTHROPY?

• *Firm-level characteristics as determinants for CP*


  o Profitability (Schwartz 1968, Buchholtz et al. 1999) and available cash (Seifert et al. 2003, 2004)

  o Ownership structure (Atkinson and Galaskiewicz 1988, Bartkus et al. 2002) and board composition (Williams 2003)
WHAT FACTORS INFLUENCE CORPORATE PHILANTHROPY?

• **Field-level characteristics as determinants for CP**
  
  o Product vulnerability and little public sympathy (Useem 1988, Amato and Amato 2007, Chen et al. 2008)
  
  
  o Tax rates (Johnson 1966, Arulampalam & Stoneman 1995)
  
  o Business cycles (Boatsman & Gupta 1996)
WHAT FACTORS INFLUENCE CORPORATE PHILANTHROPY?

• **Executive motivations for doing CP**

• Managerial discretion behavior (Williamson 1963):
  
  o Tastes and preferences (Brown et al. 2006, Werbel and Carter 2002)
  
  o Personal values (Choi & Wang 2007, Dennis et al. 2007)
  

• The firm’s best interests
  
  
  o Political support (Sanchez 2000, Su & He 2009)

• A genuine desire to be a “good citizen” (Wulfson 2001)
HOW IS CORPORATE PHILANTHROPY ORGANIZED?

• About 35% of total entries

• 4 streams of works:
  o From a periphery activity to a strategic approach
  o Structuration and professionalization
  o The decision-making process
  o New practices: venture philanthropy, evaluation of performance
HOW IS CORPORATE PHILANTHROPY ORGANIZED?

• From the periphery to the core: the rise of strategic CP
HOW IS CORPORATE PHILANTHROPY ORGANIZED?

• Structuration and professionalization:
  o An variety of involvement methods (Husted 2003)
  o A new profession within firms (Smith 1993, Mescon & Tilson 1987)
  o The link with marketing and communication functions (File & Prince 1998, Toskarski 1999, McAllister & Ferrell 2002)

• The decision-making process:
  o Vertical vs. horizontal relations with recipients (Tracey et al. 2005, Rumsey & White 2009)
HOW IS CORPORATE PHILANTHROPY ORGANIZED?

• New trends and practices
  
  o Firms look for performance and ways to measure it (Larson 2002, Maas & Liket 2010, Lorenzi & Hilton 2011)
  
  o Venture philanthropy approaches (Frumkin 2003, Scaife 2008, Scarlati & Alemany 2011)
  
  o Internal programs (Stead 1985, Husted 2003)
WHAT ARE THE OUTCOMES OF PHILANTHROPY?

• About 31% of total entries

• 5 streams of works:
  o Increased employee morale and involvement (Lewin & Sabater 1996, Brammer & Millington 2005, Muller & Kraussl 2011)
  o Greater reputation and media attention (Williams & Barrett 2000, Ricks & Williams 2005, Seitadini & Ryan 2007)
  o […]
WHAT ARE THE OUTCOMES OF PHILANTHROPY?

• 5 streams of works (continued):
  o A positive outcome on firm profitability and shareholder value (Godfrey 2005, Patten 2007, Wang & Qian 2011)…
  o …but some studies found no correlation (Wang & Coeffey 1992, Seifert et al. 2003) or no non-linear relations (Wang et al. 2008) between CP and firm profitability
  o Negative consequences and “backfire” effects are possible (Sasse & Trahan 2007, Lee et al. 2009)…
  o …while some criticize the imperialistic and undemocratic outcomes of CP (Arnove 1982, Silver 2007)
WHAT WE DON’T KNOW YET

• Little knowledge on actual processes and practices:
  *Opening the “black box” of strategic philanthropy*

• Rare accounts of the institutionalization of CP:
  *Studying the emergence of philanthropic professions*

• Very few articles on evaluating philanthropy’s impact:
  *Identifying and analyzing beliefs, methods, and tools*

• Under-representation of non-American studies:
  *Comparing national traditions, trends, and figures*
LIMITS AND PERSPECTIVES

• A work in progress: more coding and analysis ahead

• Blurred boundaries with adjacent concepts (CSR, cause marketing, individual/venture philanthropy)

• Dilution? Corporate philanthropy and the hefty literature on corporate social responsibility (CSR)

• Bringing together academic and practitioner publications