

Turning Point

Do We Know Enough about Corporate Philanthropy?*

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READERS OF THIS JOURNAL WILL BE WELL aware of the ambivalence that surrounds philanthropy in discussions of corporate citizenship. On one hand, it is one of the oldest forms of social behaviour and is so well entrenched in both the public and corporate psyche to be an almost taken-for-granted activity within our culture. On the other hand, it is either despised or ignored (in almost equal measure) by those attempting to entrench new forms of corporate citizenship. This ambivalence raises questions about the state of our knowledge about philanthropy and the extent to which we fully understand this vexed practice. How much do we really know about the intentions of those giving and the consequences of philanthropy for both the donor and the recipient? To what extent does philanthropy contribute to or detract from the goals of corporate citizenship?

There is no shortage of material around about philanthropy—something not too

surprising considering that philanthropy has been practised by business leaders since the 17th century (Smith 1994)—and has been one area of business and society activity that has attracted sustained attention from both academics and practitioners over a considerable period of time. Out of all of this, much has been said and written about the drivers of philanthropy: benefits for both the giver and the recipient; characteristics of philanthropic companies; and the sorts of activities that are most commonly funded by corporate donations. Yet the doubt and ambivalence remains. Why is that? What new issues deserve our attention?

Many significant benefits are assumed to accrue from corporate philanthropy, implying that it plays an important role in community/societal development. Contributions by corporations to, for example, higher education, the arts and health can, it is suggested, complement government activities and/or assist those addressing

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social and environmental problems who are devoid of other assistance (see Bremner 1993; Martin 1994; Wolpert 1999). Corporate donations provide much-needed assistance in a wide variety of ways, including funding research programmes, provision of equipment to schools, endowments to the arts (Bremner 1993), the display of concern for environmental problems (Wolpert 1999) and the backing of other cultural, health and human service institutions (Martin 1994; Wolpert 1999). The benefits of philanthropy often dovetail with the reasons provided by managers for engaging in philanthropic acts (see Burlingame and Frishkoff 1996; Saiia 1999). Many claim, for example, that corporate philanthropy is an important part of 'being a good corporate citizen' and 'giving something back' (Saiia 2001; Saiia *et al.* 2003).

Despite the obvious connection between philanthropy and corporate citizenship, we have very little understanding about the extent to which philanthropy contributes to community/social development and needs. Most discussion is influenced (and, we would argue, hindered) by relatively conventional Friedman-type understandings of business and society. To this end, much is made of the dangers of philanthropy (see Levitt 1958) to both corporates (diverting attention from business activities, its resource-consuming nature; see Dentchev 2004; Smith 1994; Williams and Barrett 2000) and recipients (potential for dependence, untargeted assistance; see Andrews 1950; Martin 1994). Others argue that managers lack focus and/or expertise to accurately assess social/community needs (Buchholz 1987) and, even if they could make such assessments, Levitt (1958) and Kerr (1996) argue that they lack the mandate to do so (social issues being the preserve of government or individuals, not business organisations). Some suggest that it is managers' interests/beliefs, rather than social needs, that drive philanthropic contributions (Buchholtz *et al.* 1999; Haley 1991; Werbel and Carter 2002; Knauff 1989).

Taking a different approach, but still maintaining a fairly conventional understanding of business and society, much effort has gone into articulating and justifying business benefits of corporate philanthropy. Philanthropy, Haley (1991) argues, results in a greater degree of embeddedness of the corporation in society, which has strategic benefits in terms of developing and maintaining social legitimacy and reputation and, therefore, increasing profitability (see also Yankey 1996). In this vein, several commentators have recently argued for philanthropic activities to be more targeted toward the corporation's needs in ways that contribute to its strategic objectives (see, for example, Porter and Kramer 2002).

The dangers, benefits and insights into motivations are, however, mostly speculative and devoid of hard facts (Freemont-Smith 1972; Wood and Jones 1996). While a lot of effort has gone into understanding the managerial and corporate characteristics of givers (see, for example, Adams and Hardwick 1998; Arulam-palam and Stoneman 1995; Brammer and Millington 2004; Cochran and Wood 1984; Galaskiewicz 1989; Himmelstein 1997; Useem 1988), there has been little follow-up of key or interesting findings (such as, for example, the human nature of giving, the social-binding and symbolic quality of the gift, the obligation of receivers to reciprocate) and much of what we do know is based on inconsistent research approaches (Smith 1996). The jury is still out, for example, about whether philanthropy and social responsibility contribute to improved prospects for profitability—see Moskowitz (1972) and the controversialist Vance (1975). See also Aupperle, Carroll and Hatfield (1985: 447) for their take on this inaugural debate.

More significantly for the debate about corporate citizenship, the lack of any serious questioning of the Friedman-type understandings of business and society has a number of important implications for both the theory and practice of corporate philanthropy. Not only do these understandings play directly into the

hands of those who argue that corporations are motivated only to deflect attention from other damaging activities (see, for example, Rozin 1999; Williams and Barrett 2000), but they also potentially water down the notion that business organisations have moral responsibilities to the communities in which they operate. If a philanthropic act contributes to business objectives, is it a matter of good business or a discharge of an organisation's responsibility? While some may argue that reciprocal benefits represent the ultimate form of corporate citizenship practice, reciprocal benefit glosses over the difficulties that managers experience when obligations to the community and to the business clash (Swanson 1999). Failing to challenge conventional business understandings neglects the dilemmas that business managers face in their daily decision-making and also means that other potentially fruitful and interesting models, ideas and understandings about philanthropy and the relationship between business and society are overlooked.

While the intentions and motivations of managers are likely to sit somewhere on a continuum with altruism at one end, through varying degrees of reciprocity, to self-interest at the other (see Burlingame and Frishkoff 1996; Saiia 1999), much more needs to be understood about the consequences of philanthropy and how it contributes to community/social development and the work of recipients. Doing so, in innovative ways, involving collaborative and experimental approaches between researchers, corporate donors and social recipients, has the potential to provide a more substantive insight into the significance of philanthropy to corporate citizenship activities.

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