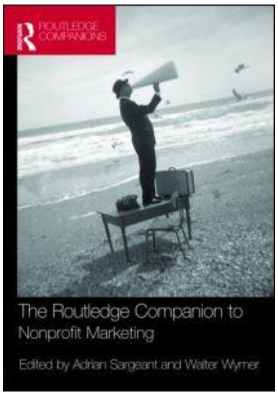

The Routledge Companion to Nonprofit Marketing

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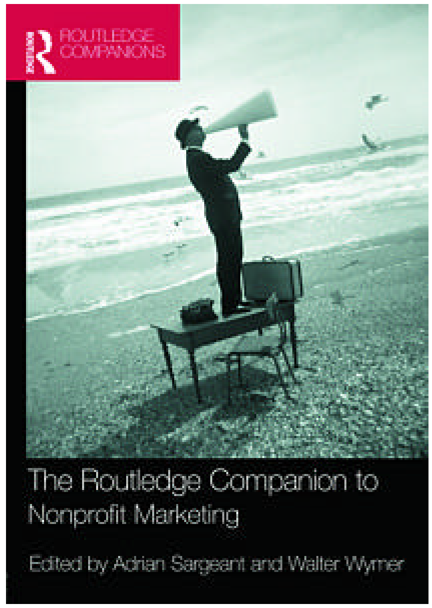
Corporate philanthropy

Publication details
https://test.routledgehandbooks.com/doi/10.4324/9780203936023.ch8
Kym Madden, Wendy Scaife
Published online on: 22 Nov 2007



ISBN: 0-415-41727-9, *The Routledge Companion to Nonprofit Marketing,* © 2008 Adrian Sargeant and Walter Wymer for editorial matter and selection; individual chapters, the contributors, Routledge, Page cover.

First published 2008
by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Simultaneously published in the USA and Canada
by Routedge
270 Madison Avenue, New York NY 10016

Routledge is an imprint of the Taylor & Francis Group, an informa business

Typeset in Bembo by RefineCatch Ltd

Printed and bound in Great Britain by
TJ International Ltd, Padstow, Cornwall

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data
A catalog record has been requested for this book

ISBN10: 0–415–41727–9 (hbk)
ISBN10: 0–203–93602–7 (ebk)
ISBN13: 978–0–415–41727–3 (hbk)
ISBN13: 978–0–203–93602–3 (ebk)

8

Corporate philanthropy

Who gives and why?

Kym Madden and Wendy Scaife

Introduction

This chapter considers what we know, and what we might like to know about corporate philanthropy (CP) and community engagement (CE). This concern for corporate support cannot be underestimated. Giving may be increasing, but so too are nonprofit (NP) numbers and traditional government funding is waning. Currently corporate giving represents only a fraction of the funds feeding the NP sector and developing explicit ties with business is needed for nonprofit organizations (NPOs) to survive (Andreasen 2006).

Not all observers see corporate philanthropy as positive, however, and challenges exist from both the corporate and NP perspectives. From the corporate perspective, some suggest a relationship between corporations and NPOs diverts the corporation from its commercial objectives. Part of this argument is that collaboration makes more demands on business, even setting up NPOs as non-state regulators when corporations do not want more regulation. This school of thought asserts that NPOs are given an inappropriate power to direct the corporation, particularly when the NPO is an advocacy organization.

A similar criticism is levelled by NPOs that inappropriate power may be exercised by corporate partners and too much assumption of beneficial outcomes is made. As MacDonald and Chrisp highlight (2005:305), the partnership literature tends towards the positive and prescriptive and the 'very vocabulary of partnership is saturated with sharing, caring words, poorly suited to rigorous analysis'. That this analysis and evaluation is usually carried out by those with a vested partnership interest proffers food for research thought.

NP–business alliances also provide an intriguing research environment. Not only are businesses now more savvy in using such alliances to achieve profits but willingness grows continually for business to collaborate across sectors to solve pressing community problems (Galaskiewicz and Colman 2006). Researchers from varying intellectual traditions are finding many unexplored issues, especially as the conventional boundaries of NPOs and governments are dissolving and innovative partnering opportunities are sought.

The chapter maps this diverse territory by first considering NP–business alliances as part of the tidal wave of studies in corporate social responsibility (CSR). Next, the chapter contemplates research on corporate philanthropy and corporate community involvement (CCI) from

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the perspective of business marketers, who are thinking ‘strategically’ about CE activities. Since the 1970s, an ‘enlightened self-interest’ paradigm has emerged, providing fresh impetus for business to deepen relationships with community organizations (Kotler and Lee 2005). The types and levels of NP support in which business engages is informed by what a business seeks to *achieve* through its activities – its motivations (the why) and its objectives at any given time (the what) – as well as by its perceived potential to engage. The chapter acknowledges research in the emerging area of community–business *partnerships* before turning to the vastly underresearched NP perspective. Chief concerns here include the challenge of adopting business marketing skills and orienting diverse stakeholders to business concepts for that NPO.

Interwoven are some theories that buttress understanding. While space precludes detailing the full array of these, the chapter primes researchers seeking to contribute to research and, in turn, practice. Where appropriate, we have taken the opportunity to complement the US studies that tend to populate the literature with other studies. The chapter concludes with possible research directions.

Before proceeding, we note that the term ‘corporate philanthropy’ is used in different ways by scholars: some exclude activities which bring advantages to business while others do not (see Bennett 1998; Bruch and Walter 2005). Moreover, businesses which support NPOs can grate at the suggestion of altruism in an era of escalating shareholder concerns for performance and accountability (Martin 1998). Burlingame (2001:4) usefully observes the *evolution* of the term:

> [The notion of corporate philanthropy today] recognises multiple forms of giving by companies as vehicles for both business goals and social goals. In the current decade we are much more likely to find that corporate philanthropy, corporate sponsorship, corporate research support, volunteer time and CRM work together to achieve strategic corporate objectives.

This pressure for business to count its CP/CCI returns has existed for well over a decade (see Himmelstein 1997), although Adam Smith’s 1776 writings show the longevity of the business–society relationship debate. However, we are seeing intensified efforts to justify these expenditures. As Bruch and Walter (2005:50) emphasize the dual needs: ‘Only philanthropic activities that both create true value for the beneficiaries and enhance the company’s business performance are sustainable in the long run.’

In this chapter, then, corporate philanthropy and corporate community involvement will be terms used *together* (CP/CCI) to span the full collaboration spectrum. CCI is used to represent those alliances that benefit *both* businesses and society (the community), to a greater or lesser extent in different circumstances. While it may be argued that the term ‘corporate philanthropy’ thus is rendered redundant, it is retained in our discussion because it is a term relied upon by various scholars. The term ‘community engagement’ (CE) is also used interchangeably with CP/CCI as the latter can be cumbersome.

CSR as an overarching construct

CP/CCI (or CE) fits within the overarching business-centred construct of corporate social responsibility, a construct that could be likened to a main channel with many conceptual and practical tributaries (such as ethical business conduct, workplace diversity and well-being, environmental protection and corporate citizenship) (Clikeman 2004; Bruch and Walter 2005). More than twenty-five definitions of CSR exist (Godfrey and Hatch 2007) and in reviewing

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the literature, Gray *et al*. (1995:47) conclude 'there is little about CSR which is not contestable – and contested'.

Researchers have explored links between CSR and customer loyalty, future purchases, new products, new markets and productivity gains. One of the strongest themes in the literature concerns CSR's link to corporate performance but Margolis and Walsh's (2003) review of more than 120 studies exploring this relationship between 1972 and 2002 showed mixed results. Despite inconclusive results of a positive *or* negative connection between corporate performance and CSR, however, stakeholder demand for CSR has continued to rise *and* companies themselves continue to invest in it (File and Prince 1998). CSR has attracted a raft of scholars but many aspects including CE remain underexplored (see Salzmann *et al*. 2005).

Godfrey and Hatch's 2007 framework for categorizing CSR theories and models helps to locate CE in the literature. Carroll's (1979) widely supported notion of business as a *hierarchy* of social responsibilities is also valuable. While CE sits relatively low in terms of this hierarchy, it is one of the oldest forms of corporate social performance (Mescon and Tilson 1987) and widely considered to be a vital element (Saiia 2001; Saiia *et al.* 2003). Moreover, it is commonly treated in the literature as a *measurable* manifestation of social responsibility (Wood 1991). Thus it is somewhat perplexing that relatively few CSR researchers have examined specific issues relating to CE. Corporate contributions run into billions of dollars not only in the USA and Europe but even in much smaller economies such as Australia (Bennett 1998; Sargeant and Crissman 2006).

Certainly some tension exists around the notion of CE. For example, while studies suggest businesses give high social desirability to such support (Buchholtz *et al.* 1999) individual managers may not regard it as an obligation for the business (Seifert *et al.* 2003). Moreover, CE may clash with business goals, with pressure to serve business self-interest (Varadarajan and Alcorn 1988; Paul and Lydenberg 1992). In these circumstances, CE can move out of the CSR function into marketing (File and Prince 1998).

The marketing perspective

Most obviously, business-giving activities overlap with the marketing function when they are deliberately designed to serve marketing purposes such as increasing sales, contributing to the firm's competitive positioning or attracting desired customers, employees or strategic partners. CE that is undertaken for the dual purpose of addressing community needs and helping a business to carve out a unique image for itself or its products, or even make direct sales, has been described as 'strategic philanthropy' (see e.g. Fry *et al.* 1982; Mescon and Tilson 1987; Wokutch and Spencer 1987; Saiia *et al*. 2003). McAlister and Ferrell (2002:690) point to the carefully considered nature of CE when it meets marketing goals:

> Strategic philanthropy [is] the synergistic use of organizational core competencies and resources to address key stakeholders' interests and to achieve both organizational and social benefits.

To date, the literature suggests this effort can be fruitful: successful collaboration with NPOs is associated with strong brands and company reputation, as well as customer loyalty, employee commitment and productivity, and healthy stakeholder relations (see Sargeant and Stephenson 1997; McAlister and Ferrell 2002; Ricks 2005). Each of these contributes to a company's

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performance. For example, a strong brand is *crucial* for marketers facing unrelenting competitive pressure because it aids differentiation (Kotler and Lee 2005). Similarly, reputation is valuable as it involves the evaluation of the company behind the brand (Dowling 1994). While more research is needed to explain the contribution of CE (Collins 1993; McAlister and Ferrell 2002), and critics of CE for businesses exist (see e.g. Friedman 1970), the case for it to be treated as a marketing-mix element continues to build (Bennett 1998). In particular, some regard CE as a *product* that can be marketed to the public through the firm's communications (Murray and Montanari 1986; Mescon and Tilson 1987; Lowengard 1989; Collins 1994; Simon 1995). Others treat it as a resource *investment* for business sustainability (Bennett 1998). Both views encourage research into how and where corporate efforts should be made to create benefit or 'add value' for the firm. Ostergard (1994) observes this as an overall shift by business away from altruism towards an opportunity-seeking orientation.

This enthusiasm for mutual benefit is not *necessarily* shared by all. Much CE is underpinned by altruism, *not* by hopes of business advantage (Sargeant and Stephenson 1997; Brammer and Millington 2005; Cohen 2006). Moreover, corporate foundations commonly separate their grant-making from the marketing function of the firm (ACOSS 2005) although such virtuous distinction also signals the company's merits.

It can also be observed that while some firms are *content* with their current CE activity, regardless of whether they are motivated purely by altruism or some blend of self-interest, others strongly desire to *improve* their CE decision-making and impact (Porter and Kramer 2002; ACOSS 2005). A final group of businesses hold back on CE as they may not see it as the responsibility of business and do not want to impose their personal beliefs on their partners or the firm's owners (Lyons *et al*. 2006).

Theoretical foundations

Theories informing CP/CCI (or CE) draw most directly upon the CSR and marketing literatures, for example, branding and reputation. These, in turn, are informed by the economics, management, moral philosophy, psychology and sociology fields.

A range of theories have provided 'windows' through which CE can be understood, for example, stakeholder theory, legitimacy theory, social contract theory, agency theory and resource-dependency theory (Pfeffer and Salancik 1978; Gray *et al.* 1995; Froelich 1999). In stakeholder theory, emphasis is on management's addressing the expectations and demands of multiple, sometimes conflicting, stakeholder groups that support the firm's continued survival, rather than maximizing profit per se. The related arena of legitimacy theory recognizes that an organization's value system and activities sit within a larger social system, and must be studied within this interrelated political, social and institutional framework. Social contract theory also informs CP/CCI: it imagines a society without complex business entities and considers what conditions are needed for society to allow businesses to exist. A 'licence to operate' from society is exchanged for some societal benefits. Agency or stockholder theory, most notably associated with economist Milton Friedman (1962), suggests that CE is more likely to occur the greater a firm's cash resources (which finds support in the literature), yet it acts as a diversion that detracts from a firm's performance (not supported) (Seifert *et al*. 2003). Finally, the notion of strategic philanthropy is linked to resource-dependency theory which suggests that organizational behaviour is governed by its resource dependencies and that, to survive, organizations must adapt to the requisites of their key providers.

Other work has sought to explain engagement *styles*. For example, Galaskiewicz and Colman (2006) suggest four main types of NP–business collaboration: philanthropic ones, which mainly

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seek to generate social good and tend to be straightforward, and three types of collaboration where business benefits are sought. Strategic collaborations aim for a mix of firm and social outcomes, commercial collaborations aim for increasing revenues for both through joint ventures such as licensing and CRM and political collaborations focus on influencing the wider political environment to support both the business and NPO involved. NP marketers will be particularly drawn to research surrounding philanthropic, strategic and commercial alliances. Business marketers, seeking mutual benefit, may find strategic and commercial ones more relevant. However, no type of collaboration can be completely neglected as programmes are increasingly multilayered; even straightforward donations can signal responsiveness to one's community (Brammer *et al.* 2006). This four-model classification builds upon Burlingame and Young's (1996) approach of more than a decade ago. Their models suggest CE is motivated mainly out of a sense of corporate citizenship, desire to manage stakeholder relationships, the wish for profitability or to protect the business from government intervention.

Taking a different perspective, Bruch and Walter (2005) explain CE styles by the strength of a firm's orientation to either its external or internal environment. Drawing upon dependency theory, they hypothesize four alternative positions characterized by a strong/weak desire to meet external stakeholder/market expectations and a strong/weak desire to act out of core values and competencies. They argue that the high market/high competence orientation is optimal as it allows a firm to leverage its internal resources to systems to address real social issues, thus is low risk and high return.

Why businesses give

The enormous breadth of engagement activities in recent years (Wymer and Samu 2003) has prompted a variety of scholars to write about a *continuum* of CE activities (see Figure 8.1). This hypothetical continuum, based on business motivation, ranges from purely altruistic donations and in-kind gifts on the extreme left (Shaw and Post 1993) to innovative partnerships which deliver substantial societal *and* business benefit in the middle and ultimately to highly commercial alliances which also deliver some societal benefit (Varadarajan and Menon 1988; Kropp *et al.* 1999).

A continuum is useful because it suggests that a company may engage in activities at various points and oscillation over time can occur (Campbell *et al.* 2002; Seifert *et al*. 2003). It is shown also as a 'see-saw' to reflect the balance achieved overall, with tilting either towards community benefit, business or equilibrium across these two. For variations on the engagement continuum, see, for example, Collins' typologies of corporate response to global philanthropy (1993).

Taking a 'helicopter' view, businesses generally have come to embrace strategic philanthropy because they see it as contributing to the overall financial performance of the firm and thus can justify it as a business strategy. While academic findings on this positive relationship are inconclusive, evidence does exist of a direct association between profitability and the level of giving, and also that business *norms* influence corporate giving (Navarro 1988; Moore and Robson 2002). More research is needed in this area if the dynamics are to be understood, especially studies that 'drill down' into CE in *different* business contexts and industries to complement the macro studies conducted to date, longitudinal studies and efforts to tease apart currently aggregated measures and concepts (Godfrey and Hatch 2007).

From the business marketer's perspective, increased sales are the most tangible returns that may be sought from CE. However, it may be argued that quantified improvements in market reach and penetration, consumer awareness, attitudes including evaluations of the firm or its

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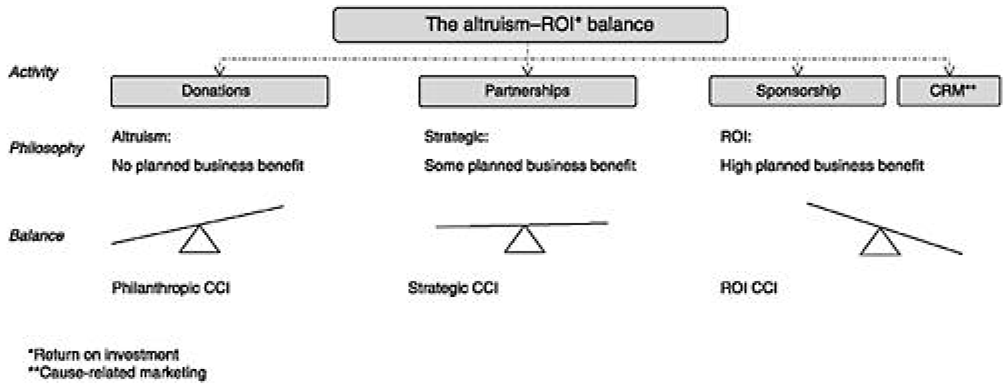

Figure 8.1 The corporate-giving continuum see-saw

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products, or purchase intentions also are 'hard' returns. While consumers are a primary target for marketers, corporate strategies may also involve building understanding and cooperation with employees, suppliers and other partners in the delivery chain, communities and government for they provide indirect avenues to attract business (Turban and Greening 1997; Fombrun and Gardberg 2000; Greening and Turban 2000; Mohr *et al.* 2001; Backhaus *et al*. 2002). Global companies illustrate the strategic use of CE to mitigate operational risk in politically, economically or socially unstable countries such as Guinea and Nigeria (Porter and Kramer 2002). Multinationals spend up to 4 per cent of their annual in-country operating budgets on such activities (Barnes 2005).

Perhaps not surprisingly, research efforts in CE have largely focused upon returns to business from sponsorships (see O'Hagan and Harvey 2000; Miyazaki and Morgan 2001; Quester and Thompson 2001) and cause-related marketing (see File and Prince 1998; Bronn and Vrioni 2001). Yet these activities are not fully understood, particularly innovative associations at previously 'out of bounds' sponsorship sites such as hospitals, kindergartens, schools and universities, and within other core community activities like policing. Fresh aspects of CRM attracting research interest include the consumer perspective (Polonsky and McDonald 2000) and the division of resulting profits including share price increases (Wymer and Samu 2003).

However, some researchers place such commercial alliances outside the CE net altogether. For example, McAlister and Ferrell (2002) suggest that engagement with NPOs is not about immediate results but instead is a long-term investment for the firm.

For this reason, perhaps, *partnerships* are attracting more attention. The national Giving Australia survey of 2,700 businesses suggests that some 19 per cent of businesses in that country are now involved in community partnerships, up 6 per cent in the three years to 2004 with indications it is the fastest growing form of CE in that country (ACOSS 2005). These collaborative partnerships between business and NPOs occupy the middle ground of the CE continuum and commonly involve an association over time, mutually developed prosocial programmes and multidimensional resource support by the firm such as employee volunteering and mentoring, skills transfer, systems assistance and/or other in-kind support in addition to cash. In return, they offer individual businesses many staff-related and market benefits as well as helping the business sector more broadly to regain lost credibility as a result of scandals over the past decade, in particular (Lucas 2004).

The *relational* nature of partnerships opens up a large parcel of research issues not only for businesses but NPOs too, including optimal types of partnerships for different organizations, trust and power dynamics, how business and NP cultures might blend, and management issues such as partner selection, determining appropriate objectives, outcomes and evaluation, dealing with partner expectations, risk, even exit strategies (Samu and Wymer 2001; Mullen 2002; McQueen 2004; Todeva and Knoke 2005; Wholstetter *et al.* 2005). Unfortunately, despite growing interest in partnerships, little academic work has been done to date to understand, and assist, those experimenting with them. Scholars such as Kilpatrick and Silverman (2005), Robins (2005) and Wymer and Samu (2003) flag the importance of research that informs successful partnership formation, development and closure.

How much?

Different countries have their own history of corporate engagement with the NP sector, and their own unique social, political and economic web within which such activities currently exist and which shape their future direction. However, the overall trend has been for companies in western Europe, the USA and other countries to have *increased* their contributions since the

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1980s, with some like Australia reporting a marked increase (see Campbell *et al*. (2002) for an analysis of UK and US trends). This rise parallels the growth of private wealth and generally strong business performance in such countries (Merrill Lynch/Capgemini 2006). Moreover, CP/CCI is expected to become increasingly important in world economies experiencing rapid growth, particularly China and India (Muirhead 2006).

In analysing how much businesses give, it is crucial to be aware of methodological variances and their implications. Different data collection methods muddy the tracking of change within any one country, as well as complicating international comparisons. Also, corporate giving statistics lend themselves to underreporting because they may exclude activities which involve NPOs and benefit the community but are funded by *marketing* budgets rather than corporate or community relations budgets (Burlingame 2001). There can be additional factors which influence corporate-giving statistics, too, and potentially distort tracking (ACOSS 2005). Several researchers have pointed out their *indicative* nature, and urge caution by researchers in using them (see e.g. Campbell *et al.* 2002). With this caveat in mind, giving by US businesses was estimated at US$13.77 billion in 2005 (Giving USA 2006), a substantial increase from $11.24 billion in 2004. This spike can be partly explained by urgent disaster relief appeals, especially the Asian tsunami; 59 per cent of US companies reported adding to their budgeted gifts for tsunami victims (Muirhead 2006).

In the UK, leading publicly traded companies recorded donations to NPOs of more than US$1.6 billion in 2003–4 – close to 1 per cent of pre-tax profits (Armstrong 2004). A year later, reporting in UK currency, the Community Foundation Network (2006) found that contributions by UK companies had risen some 15 per cent in real terms to stand at £1.1bn, taking into account both cash and in kind (although still representing a relatively low 0.8 per cent of pre-tax profit). In smaller countries such as Australia, recorded business giving has also risen markedly in recent years, from AUD$1.5 billion to $3.3 billion in the three years to 2004 (ACOSS 2005) and while this change may be somewhat inflated due to different measures, it is nevertheless remarkable. In the Netherlands, business giving accounts for 43 per cent of the total estimated giving of 2.27 billion euros in 2003 (Meijer *et al*. 2006).

Not all countries reflect this pattern. One example is Korea where corporate giving has remained steady in recent years and research suggests that the vast majority of smaller companies give at minimal levels. Overall, companies listed on the Korean stock exchange contributed approximately 0.42 per cent of their gross profit to NPOs in 2004, with average contributions of a mere 0.08 per cent of sales and 0.23 per cent of advertising and entertainment expenses (Beautiful Foundation 2007:13).

The reasons for the general trend in increased CE are not clear. In the USA, corporate giving has reflected trends in profitability, prior giving, gross domestic product and corporate tax rates (Seifert *et al*. 2003). The link to profitability is highlighted by some researchers, who warn that as profits wane so too will corporate giving (Drucker 1984; Giving USA 2006). CSR has been highly publicized, too, and this may play a role.

Also, while aggregated corporate-giving figures are substantial in various countries, it does *not* represent a huge investment by individual companies – nor a substantial proportion of NP income in these countries. US corporate giving represented only 1.3 per cent of gross profits in the USA in 1999 (Hunt 2000) and a median figure of 1.6 per cent in 2004 (Muirhead 2006). As well, wide variations exist between individual businesses, and between industry sectors (Hunt 2000; Giving USA 2006).

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Who gives?

In seeking to explain individual firm differences, some research has focused on the characteristics of managers (see e.g. Harvey 1990; Cermak *et al.* 1994). Walker (2002) found through a survey of top FTSE350 companies in the UK that two-thirds of senior executives gave time to charities. While only 44 per cent of finance directors were active, 89 per cent of chairpersons, 65 per cent of CEOs and 64 per cent of marketing and personnel directors volunteered. Often these personal contributions were long term and across a number of charities, suggesting corporate decision-makers can be strongly philanthropically inclined.

Others, such as Burnett and Wood (1988), have developed broader models of donor behaviour which incorporate, for example, giving antecedents such as personal and demographic characteristics (e.g. self-esteem, empathy, guilt, age, gender, education) as well as situational factors and perceived rewards.

Industry studies can also be revealing. For example, an analysis of IRS (Inland Revenue Service) claims for charitable giving highlights the generosity of the arts, entertainment and recreation sectors in the USA, where firms claiming contributions reported an average of 2.8 per cent of pre-tax income in 2003 compared with the average claim by contributing firms across all industries of 1.5 per cent of pre-tax income. Donors in the utilities, wholesale trade and healthcare/social assistance sectors also reported above average, at 2.2 per cent (Giving USA 2006).

Companies vary in expenditure treatment, with some activities seen as marketing, others community relations or corporate foundation grant-making. In one rare study where access to US treasury data was possible, Carroll and Joulfaian (2005) found that giving rose in line with firm income, tax rates and the amount spent on advertising. An additional obstacle for researchers can be identifying expenditure where record-keeping for such activity is poor; for example, small businesses may not keep consistent or detailed records of their contributions (ACOSS 2005). Indeed, the issue of firm size is of growing interest for researchers.

The sheer number of small to medium enterprises (SMEs) across many countries means that, collectively, SME giving dwarfs that of large corporations. At the firm level, however, as mentioned earlier, research shows that the greater the firm's assets (the larger the firm is), the more likely it is to engage in CCI and to give more (Wood and Jones 1995; Boatsman and Gupta 1996; Giving USA 2006). As Seifert *et al*. (2003) point out, the literature suggests a positive relationship between cash flow (having discretionary funds) and corporate giving (discretionary expenditure) and, thus, CE may be seen as a form of discretionary CSR. In this way, evidence exists in support of agency theory's assumption that corporate giving is linked to having available resources (Seifert *et al.* 2003).

File and Prince (1998) note that scant research exists for privately held companies, especially smaller ones in how they balance altruistic motivations with corporate self-interest. In such firms, giving can be seen as a *personal* decision not a business one which is forced on to business partners or owners (Madden *et al*. 2006). This Australian research suggests smaller businesses are driven by fewer motivations than is suggested for large business and their approach to CE, including decision-making and evaluation, is less systematic and strategic.

How businesses give

The traditional forms of CE – straightforward donations and in-kind gifts – still dominate corporate giving (Seifert *et al*. 2003; ACOSS 2005) although employee volunteering and payroll giving, use of facilities, and specialist advice and assistance are gaining in popularity. In-kind

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support equals at least one-third and up to one-half (depending on the study) of the value of cash contributions in the USA (Anonymous 1997; Giving USA 2006). Non-traditional activities such as community–business partnerships which allow business to join forces with NPOs in addressing social issues, CRM, licensing and joint ventures are also on the increase (Galaskiewicz and Colman 2006). In Australia, since the late 1990s, corporate resources being put into community–business partnerships have gathered pace while previously intense interest in sponsorships has levelled off (ACOSS 2005). The 1990s saw a dramatic rise in sponsorships and CRM in several countries including the USA (Himmelstein 1997; Weeden 1998). Tracking aggregated giving amounts can camouflage such fluctuations over time.

As well as direct contributions from business, support may come through corporate *foundations*, with many larger enterprises contributing both ways. In the USA, grants by corporate foundations totalled US$3.6 billion in 2005, according to the Foundation Center, adjusted to US$3.4 billion by Giving USA to avoid double-counting (Giving USA 2006).

In terms of recipients, US business overwhelmingly favoured health and human service recipients in 2004, winning 44 per cent of all corporate contributions, followed well behind by international aid and education which attracted 19 per cent and 14 per cent of funding, respectively (Muirhead 2006). In contrast, only 4 per cent of corporate funding in 2004 was directed at cultural and arts causes. With some variations across and within countries (for example, by industry and firm size), this pattern of robust support for welfare NPOs and low support for cultural, arts and the environment causes is replicated. There is some evidence that corporate foundations may support causes more equitably than do companies directly, for example US foundations directed 26.7 per cent of all grants to public–society benefit organizations. There is some evidence that corporate foundations may support causes more equitably than do corporations acting directly. For example, US foundations directed 26.7 per cent of all grants to public society benefit organizations (a broad category that includes social action and community development groups), 25.5 per cent to education and 18.8 per cent to human services (Giving USA 2006).

This scan of the literature reveals the range of efforts to understand the businesses most likely to engage in CE and the forms such giving takes. Yet many issues beg further investigation. One standout concern is the need to investigate the decision-making process for business, to appreciate better the ‘why’, the ‘how’ and the ‘what’ involved in corporate giving (Campbell *et al*. 2002; Saiia *et al*. 2003). Insight is also much needed into researching issues around variation within countries as well as across them. In particular, there is a gap in the literature for crosscultural studies (Seifert *et al*. 2003; Madden *et al*. 2006). To put the relatively strong levels of corporate giving into perspective, they come at a time when globalization and other societal shifts have reframed traditional boundaries (Loza and Ogilvie 2005). Greater interdependence and shifts in resourcing have increased pressures on business to address more actively and collaboratively social needs, as well as look to their own sustainability. In turn, the NP sector is under pressure to reconceptualize its work and its support. We now turn to the NP marketing perspective to examine what we do know – and do not know – from research to date.

The nonprofit perspective

First, we consider marketing orientation issues. The seeming irony of *non*profits needing to *make* profits to fund their missions means they often mimic commercial marketing activities. With commercial sponsorships and CRM collaborations, for example, NPOs can be as keen as business to generate *income* as to increase community awareness for their organization or issue, or gain new supporters to lift their mission outcomes. At the same time, many grapple with the uncomfortable fit of a marketing orientation in a traditional NP culture (see Andreasen (2000) for a full discussion of the intersector transfer of marketing knowledge). Andreasen *et al.* (2005) posit resistance to change, and fear by internal and external stakeholders that a marketing view may contaminate mission focus as key obstacles to pursuing corporate/NPO engagements. An 'apparently thin line (exists) in the public's perception between being business-like and being a business' (Walker 2002:14). Gaskin (1999) ties eroded public trust in charities to the increasing professionalization of the sector, particularly the use of commercial marketing tactics.

At a theoretical level, the business–NP dichotomy is also under discussion. Clarke and Mount (2001:89), for instance, conclude that mainstream marketing's reliance on neo-classical methodology 'seems inappropriate, especially for the NP sector'. Others point to the dual constituency of donors *and* clients that NPOs must serve as problematic: they must know their funding market but not pander to it at the expense of their mission (McColl-Kennedy and Kiel 2000:15).

Andreasen *et al*. (2005) point out that marketing plans and orientation are missing from most NPOs. This makes it difficult for NPOs to then reach into more sophisticated commercial tools such as demand forecasting, demographic segmentation and market share analysis and speak the same language as businesses. What are the implications of this generalized low level of marketing skills for nurturing corporate philanthropy and engagement?

Arguably the new return on investment 'opportunity-based paradigm' noted (Ostergard 1994; Sargeant and Stephenson 1997) has placed unprecedented pressure on NPOs to deliver marketing benefits and to act as quasi-businesses. This higher need for marketing savvy is intensified further by the move from 'armchair' philanthropy of writing a cheque to the more active partnership mode noted in the literature and empirical studies (see e.g. Staples 2004). The importance of marketing nous is even more pronounced when corporate CE is at the CRM end of the spectrum. Yet relatively few researchers to date have investigated marketing concepts which particularly apply to generating resources from the corporate market. As Walker (2002) suggests, despite the popularity of corporate fundraising, little contextual material is available in the voluntary sector literature.

One fertile future path for research is to replicate marketing-based studies undertaken to comprehend better and predict *individual* giving. Often a firm's charitable involvements are seen as 'partly personal, partly corporate' by those making the contribution (Walker 2002:224).

Several interesting lines of enquiry impinge on our understanding of how NPOs use marketing skills to relate better to the corporate market including: market segmentation (Sargeant and Stephenson 1997) and NP branding (Polonsky and McDonald 2000; Hankinson 2001, 2002; Napoli 2006; Dickenson and Barker 2007). In addition, some research tries to track exchanges which actually happen and the outreach NPOs use to win support.

The gift of time and particularly leadership skills are commonly sought by NPOs. Notable patrons, names on letterhead, governance and other high-level volunteers add to a charity's reputation and level of public trust. A survey of the UK's top corporate donors found all of the top ten had at least one director serving as a charity trustee and some had as many as 75 per cent of directors with trustee appointments (CaritasData 2000). Walker (2002) considers the implications for charitable strategy of building relationships with corporate figureheads. Based on a survey of senior executives representing one-third of the FTSE350 companies in the UK and in-depth interviews, she established that a direct approach from a charity was the main mode of its becoming involved and that the personalized approach far outranked letters as a means of success. The second key avenue for involvement came through an approach on behalf

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of the charity from someone within their formal or informal networks. This role of business champions was significant also for stimulating corporate volunteering.

Next, we consider market segmentation issues for NPOs looking for business support. Sargeant and Stephensen (1997) posited that market segmentation to target the right donor and send the right messages was crucial to tap corporate support. In this UK study, emphasis by business was on altruism rather than return on investment. Indeed less than 10 per cent of primary responsibility for giving sat with the marketing area in this study (and this breadth of location was confirmed in the Giving Australia study where, for instance, the human relations area was quite a popular site for CE staff (ACOSS 2005)). Sargeant and Stephensen confirmed the two clear segments that NP marketers need to target as: 'philanthropists', who give without looking for benefit and tend to give mainly through cash; and 'investors', who see opportunities emerging from their contributions, give in a variety of modes and monitor the success of this strategy. A third segment – non-donors – would benefit from similar marketing strategies to the investor group, as the main barriers to support were lack of financial capability and failure to consider the key benefits that could accrue.

What is known about these possible benefits from which NPOs may proffer? Research is evident on the fringes of this topic such as Drennan and Cornwell's (2004) case studies to consider the relevance of newer media such as the Internet as a means to both attract and deliver benefits to sponsors. However, one benefit which features more consistently in the literature is brand positioning. As canvassed in the corporate perspective that opened this chapter, the corporate is seeking better brand position through linking with a recognized charity or its work. This quest in turn has spotlighted the role of clear and appealing branding in the NP realm to attract corporate partners.

The challenge of branding for NPOs is significant. A range of studies address its importance to the NP sector, with reputation emphasized as a core NP asset to individual, corporate and other donors alike (for early work, see Roberts-Wray 1994; Tapp 1996). Ritchie *et al.* (2006) in their study of how NPOs might use brand for competitive advantage, highlight the basic premise that 'strong brand franchises make NPOs more desirable as businesses seek to develop their own goodwill through partnerships with NPOs' (29). As 'Current Brand Management …' concludes in considering the application of brand management theory to universities, there is a need for 'further evolution of the discipline of brand management and subsequent modelling of branding concepts to NPOs' (15). Some of this evolution is outlined below.

Most recently, Napoli (2006) found a positive correlation between NP brand orientation and organizational outcomes, and a high brand orientation in successful NPOs. Similarly, Hankinson (2002) considered the brand orientation of UK fundraising managers and its impact on their organizations' donations. This work built on Hankinson's prior explorative study of brand orientation levels in different sized charities where respondents acknowledged brand as a core tool for fundraising in a competitive market across statutory, voluntary and corporate sources of support (2002:212). A key finding here was that such organizations generally did not *optimize* their brands, despite the charity brand being central to its donor and client outreach.

The trend toward co-branding alliances between corporate and NP groups has been examined by Dickenson and Barker (2007). Findings from their study indicate benefits to both entities hinge on the co-brand 'fit' being perceived as strong and logical, and the independent brands being familiar and well regarded. Brand alliances were found to impact significantly on brand attitudes to each of the entities, with NP and commercial partners benefiting equally.

In seeking to validate how brand personality works in NPOs and its impact on individual giving, Venable *et al.* (2005) found four dimensions of NP brand personality: integrity, nurturance, sophistication and ruggedness, and concluded that the intangibility of the services

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that NPOs often offer means the *organization* rather than the services becomes the brand focus.

Hyojin (2002) in considering the role of branding in building competitive advantage for NPOs adapts Brown and Dacin's (1997) model of corporate associations. This analysis raises the issues of 'uncontrolled branding' where the NP is branded as a result of partnering with a for-profit brand, often meaning risk if the for-profit brand becomes tainted through unethical practice.

Polonsky and Macdonald (2000) have added to the NP branding knowledge base in a different way, by considering how CRM programmes can shape an NP brand both positively or negatively. In similar vein, an empirical study in New Zealand (Chaney and Dolli 2001) found non-purchasers are likely to feel charities should exploit other fundraising methods, sending a message of discomfort with this form of marketing.

An area of perhaps equal discomfort for NP marketers is finding the right corporate partner (Hankinson 2001). Her study with UK charities found that matching the profiles of the corporation's consumer with the charity's donor was an important success factor. The literature has gone deeper into what makes a successful partnership.

The literature supporting partnerships is positive, with more interest shown by scholars in partnership strategy rather than seeking traditional donations (Austin 2000). Yet much that is written is anecdotal rather than empirical. Staples (2004), for instance, in questioning the implications of the CSR movement for charitable fundraising, concludes that a more mature relationship between business and the charitable sector and a focus on mutual benefit are needed to yield meaningful social change. He highlights the potential of exploring shared objectives. The studies represent a flow on from Burnett's (1992) application of relationship marketing to fundraising, based as it is on proactively developing the potential of each unique relationship rather than on the more transactional exchange of raising money.

The literature, while not voluminous, does highlight that the risk to both entities can be high if all aspects of the process are not well implemented (see Todeva and Knoke 2005).

The detail of the partnership agreement – including the care taken with partner selection – has been underlined (see Samu and Wymer 2001; McQueen 2004). Partnerships potentially can have adverse effects on the set goals as well as achieving respective benefits for the two parties (Martinez 2003). Both entities enter with expectations and at an early phase of mutual trust (Wholstetter *et al*. 2005). NPOs may lose out if seen as being 'owned' by the corporate partner and therefore unattractive to other companies or not in need of their support or that of traditional donors. The potential power differential is also an important factor (Mullen 2002) and commentators have called for more research on aspects such as blending the business–NP culture and achieving strong partnership management (see Wymer and Samu 2003; Kilpatrick and Silverman 2005; Robins 2005). The different work culture, objectives and operating styles of NPOs and corporations identified by Wymer and Samu (2003) can spell problematic management for partnership operatives.

Critics warn that interest in partnerships is fuelled by perhaps faulty assumptions that the NP sector is inefficient, ineffective and unaccountable (Mullen 2002; Lucas 2004), that businesses have relevant resources to assist with social problems (Gold 2004; Robins 2005) and that it is acceptable for businesses to shift from altruism to seek mutual returns (Lyons 1998).

The role of government

Public policy and government facilitation of NPO–business collaboration is an area attracting growing attention in the light of governments' interest in cross-sector efforts to meet

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community need (see Galaskiewicz and Colman 2006). Moreover, there is evidence from the rare studies that exist (Schwartz 1968; Arulampalam and Stoneman 1995; Moon 2004) that business *is* sensitive to the tax and policy treatment of giving options and that current policies do shape NPO–business collaborations.

Conclusion

In their valuable review of NPO–corporate collaboration, Galaskiewicz and Colman (2006) highlight the many newer forms of CE by business that have emerged in recent years to complement traditional giving practices. These opportunities will continue to unfold and it is only through rigorous research, as well as practical experimentation by the organizations themselves, that their potential to deliver efficiently successful outcomes will evolve. Scholarship is vital for the understanding it can bring to managers in both NPOs and businesses of the dynamics of corporate philanthropy and CCI – what is occurring, how, why and with what effect. Research is also needed to shift efforts to a higher level.

Current theoretical development in this arena is in many ways embryonic. Research is needed in wide-ranging areas, as this chapter identifies, and research from different perspectives informs the field (see Figure 8.2 for a summary of issues ripe for investigation).

The three *primary* areas deserving attention, we believe, are:

- International research – especially comparisons of giving patterns, motives and effects across countries (Seifert *et al*. 2003).
- Qualitative research – especially on the internal decision-making process employed by both businesses and NPOs, including but not limited to the process used to decide on engagement decisions and both internal and external influences on it, partner selection criteria, the ways that they decide to invest in relationships, and how they manage and evaluate engagement (Galaskiewicz and Colman 2006).
- NPO–business partnerships – especially initiating and ‘growing’ rich partnerships over time, from both NP and business perspectives, and even looking towards tripartite entities where governments of various tiers may form part of the equation and all parties – including society – benefit.

One of the biggest hurdles for research in this area involves access to quality data. First, just getting through the corporate door can present many challenges: data can be regarded as proprietary knowledge, and having a researcher’s eye in a business may be threatening to both the business and personalities involved. Similar difficulties may also be experienced for researchers seeking to understand the NPO perspective: research participation is not necessarily a high priority for a sector grappling with stretching resources to fulfil its philanthropic and mission goals. Second, information may be scattered across the firm’s operations in fragmented form. Comparisons between firms may be further hindered by inconsistent record-keeping.

Yet research in this area is pressing. Not only can appropriate corporate linkages bring urgently needed dollars and other resources to stabilize the delivery of NP programmes and increase the impact of its interventions (see Simpson 2005), alliances can contribute to NP brand image and reach for longer-term sustainability. For business, too, support of the NP sector holds a multitude of potential benefits, particularly strengthening corporate relationships with key stakeholders such as customers, employees and the community in which it operates.

Business needs encouragement to co-operate in research about its cross-sector alliances

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Various scholars call for further research in this field. This synopsis captures this agenda and adds several other as yet unlit pathways for research (abbreviating corporate philanthropy and corporate community involvement to CP/CCI). As this list could be very long, these ideas are included to spark thought rather than be comprehensive of all research possibilities. The needs span theory building and testing, normative studies and critical debate.

Perspective	*Research agenda*
Cross-sector	Finding definitional clarity and cross-sector agreement for central terms such as CP and CCI Mutually-beneficial partnerships – formation, development or closure, the blending of cultures, managing needs and expectations, achieving optimal outcomes, evaluation, and characteristics of 'well-partnered' organizations
Corporate	The role of CP/CCI in a comprehensive CSR programme Differences between firms and industries on what constitutes meaningful social involvements Management practices – where the CP/CCI function is located, who fills roles and from what background, training and career paths CP/CCI decision-making processes Board role and understanding of CP/CCI, and factors that influence these Employee role and CP/CCI Brand-building – the role of CP/CCI Alignment of CP/CCI with business interests The impact of changing economies on CP/CCI budgets and activities Comparisons of CP/CCI among countries with mandated CSR and those with voluntary codes Studies of CP/CCI and other CSR activities in different business contexts and industries, including longitudinal studies and those that tease apart previously aggregated constructs Professional areas, e.g. PR and advertising, human resources management – applying underlying theories to CP/CCI Exploring innovative associations in previously 'out of bounds' sites Operational issues such as the criteria that might be used for dividing profits, including share price increases, and in selecting
Nonprofit	Conversion rate of corporate volunteers to long-term donors; applying aspects of the individual giving literature to CP/CCI, e.g. lifetime partner value; skills base of NP marketers managing their side of CP/CCI
Government	The effect on business behaviour of various kinds of tax deductions or other inducements in specific countries

Figure 8.2 Pathways for research

because, at its most fundamental, giving access to data is a core way to support the NP sector. For both sides, participation in research informs best practice in the long term. The onus is on researchers, too, to comply with the highest research standards and manage the informant relationship well not only to justify the trust placed in them by respondents but to advance future research interests.

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ISBN: 0-415-41727-9, *The Routledge Companion to Nonprofit Marketing,*