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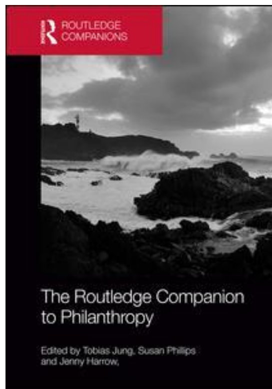

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Tobias Jung, Susan D. Phillips, Jenny Harrow

The contested terrain of corporate philanthropy and social responsibility

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Michael Moran, Elizabeth Branigan
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The contested terrain of corporate philanthropy and social responsibility

Theories, approaches and challenges

Michael Moran and Elizabeth Branigan

The purpose of this chapter is to examine two distinct but closely related concepts: corporate philanthropy and corporate social responsibility (CSR). Both have seen increasing prominence over the last few years. This can be explained by reference to a range of contextual factors. First, the reconfiguration of the role of the state and the rising power of the firm within the economy and society has led to calls for firms to assume responsibilities beyond their traditional role as an engine of economic growth. Second, this has been coupled with increased demands from the nonprofit sector for resources, as the sector has grown and government funding has become more thinly spread and increasingly scarce. Third, external pressure from civil society organizations critical of corporate behaviour, combined with internal claims that corporate philanthropy and CSR can have tangible and intangible benefits to the firm, has precipitated a mainstreaming of such practices. Indeed calls for greater responsibility have become so ubiquitous that since the early 2000s corporate philanthropy and CSR have become a mainstream function of almost all large firms in industrialized states, albeit with varying degrees of integration, efficacy and authenticity.

Nonetheless, despite the ubiquity of the concepts of corporate philanthropy and CSR, they remain heavily contested: there is limited scholarly consensus on definitions; debates remain on instrumental questions including empirical debates over the utility of philanthropy to the firm and its shareholders; and there are questions about the so-called business case, and the legitimacy of philanthropy in a context still largely dominated by norms of shareholder primacy. Moreover, the financial crisis that began in 2008 was in part precipitated by firms that were considered, under many ostensibly objective metrics, to be among the most socially responsible and philanthropically generous, leading some to question corporate philanthropy's and CSR's effect on civilizing corporate behaviour.

This chapter begins by covering the basic definitional terrain, situating corporate philanthropy and CSR in historical context. Against this historical backdrop, we then explore the range of theories of corporate philanthropy and CSR that have emerged as tools to explain, and perhaps more appropriately structure, corporate behaviour. After this, we then outline the cases for corporate giving and responsibility, before briefly assessing current trends in corporate practice and measurement.

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Historical development of the concepts of corporate philanthropy and corporate social responsibility

As this section will illustrate, CSR arose out of corporate philanthropy, before subsuming the latter as a subcategory. While CSR has been cast as a broader guiding framework for ethical business practice, and has been described in many ways and used in a wide range of applications, there is still no universally agreed definition of what it means. In a broad sense, CSR is a conceptualization of corporate power as extending beyond the market to the realms of politics, culture and society. As Wood (1991: 692) has argued 'the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities'. The key deliberations that have emerged around this concept are concerned with the extent to which responsibility must be taken, to both ensure that this relationship creates positive social impact, and that any detrimental effects of this reach are moderated.

Here we offer an overview of the historical development of the definitions of CSR and of corporate philanthropy as one of its key constituent elements: two approaches that have been inextricably entwined in both theory and practice since their origins. We explore the changes in the conceptualisations of, and relationships between, these two concepts, our central argument being that they have transmuted in direct relation to a series of significant changes in the global political, social and economic environments throughout the twentieth and early twenty-first centuries. In analyzing these changes, we explore a range of challenges and responses to the questions of whether corporate philanthropy can genuinely be described as a legitimate form of philanthropy and/or whether it constitutes a central pillar of the CSR approach.

The 1920s to 1960s: Corporate philanthropy as social responsibility

CSR has a longer history in the US than in most other countries. It has its roots in the late 1920s, when it was broadly understood as 'social responsibility' (Berle, 1939; Dodd, 1932; and Donham, 1927, cited in Okoye, 2009 and Berle and Means, 1932, cited in Kemper and Martin, 2010: 231). This social responsibility was expressed through corporate philanthropy, leading some authors to define this period as the 'the philanthropic era' of CSR, where voluntary charitable contributions were the main form of social activity that firms undertook (Carroll, 2008: 25). This responsibility by corporates was, however, not really acknowledged and debates until the 1950s (Carroll, 1999, 2008; Carroll and Shabana, 2010; Kemper and Martin, 2010). Frederick (2008: 200) describes three significant features characterizing the thinking in the 1950s: the conceptualization of corporate managers as public trustees; an understanding of the need to balance competing claims to corporate resources; and the common perception of philanthropy as a representation of business support for society. Frederick (2008: 200) argues that at this time, the foundation of CSR continued to be philanthropy – 'the allocation of company funds to support worthy community projects' – which was seen as helping to reduce inequality and as being 'a responsibility, not to say a privilege, of public trusteeship.'

Carroll (1999, 2008), who has played an important role in documenting the development of corporate philanthropy and CSR, cites the publication of Howard R. Bowen's (1953) book *Social Responsibilities of the Businessman* as the origination of the modern literature on this topic. Carroll (1999: 269) notes that '[a]s the title of the [Bowen] book suggests, there were apparently no businesswomen during this period'. The use of the term 'businessman' is also important as it highlights the fact that at this time social responsibility was viewed as the responsibility of individuals, rather than the firm being perceived as a distinct entity with its own agency.

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This individualized perspective dominated throughout the 1960s and is evident in works by theorists such as Davis (1960), McGuire (1963) and Davis and Blomstrom (1966). The critical shift of conceptualizing the corporation as agent in its own right began in the 1970s, yet the fundamental ambiguities that are inherent in a firm being both an individual legal entity and a group of people are still being debated decades on (Lorenzo-Molo *et al.*, 2012).

The 1970s: The rising power of the firm in society

The 1970s saw a significant shift in the definitional terrain as it ushered in the theories emerging from the Chicago School of Economics, which considered the idea of a corporate's social responsibility as misguided, as firms are entities that exist solely to maximize stakeholder value. In 1970, Milton Friedman mounted the now well-known argument that 'the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country' (1970). Followers of Friedman, such as Fama, Jensen and Meckling, have further extrapolated on the view that a corporation's responsibility relates solely to its financial stakeholders (Fama, 1980; Fama and Jensen, 1983; Jensen and Meckling, 1976).

A significant contribution to the development of the corporate philanthropy and CSR concepts was made in 1971 by The Committee for Economic Development (CED). This positioned itself in direct contention with the Chicago view. In its 'Social Responsibilities of Business Corporations' CED observed that 'business functions by public consent and its basic purpose is to serve constructively the needs of society – to the satisfaction of society' (CED, 1971: 11, cited in Carroll, 1999: 274).

Around the same time, Votaw offered a very reflective description of CSR. As it captures the complex and contested nature of CSR, it is still widely cited today:

> The term … means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means social responsible behavior in the ethical sense; to still others, the meaning transmitted is that of "responsible for" in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large.
>
> *(Votaw, 1973: 11, cited in Carroll, 1999: 280, 2008; Garriga and Melé, 2004: 52; and Okoye, 2009: 613, amongst others)*

The most significant contributions to developing the understanding of CSR in the decade to follow were Freeman's development of stakeholder theory, first presented in 1984, and Donaldson's (1982) work on social contract theory, which expounded the view that the firm was embedded in society. 'Instrumental theory', 'tied social responsibility research to the emerging dominant neoliberal economic paradigm as closely as possible' (Kemper and Martin, 2010: 234). All of these theories will be explored in greater depth throughout the argument to follow.

From the influence of the anti-corporate social movements in the 1980s, through the rapid acceleration of globalization in the 1990s, society's relationship with corporations and their social license to operate has been under constant review. During this period, understandings of CSR have expanded to include characteristics of both environmental sustainability and human rights. Following the 1992 United Nations Conference on the Environment and Development in Rio

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de Janeiro, known as the 'Earth Summit', the concept of sustainable development has been commonly used to describe the role played by business in environmental and many social issues. The emerging corporate goal of sustainability has subsequently become a key platform of many CSR approaches (Kemper and Martin, 2010).

Around the same time, CSR became a priority concept in human rights discourses and, in particular, for the United Nations, which delineated obligations on business with regard to the promotion and protection of human rights. Former United Nations Secretary-General Kofi Annan fostered the United Nations Global Compact, a framework that includes ten principles that companies are encouraged to uphold in the areas of human rights, labour standards, the environment and anti-corruption. The Global Compact was operationalized in 2000 and has since been adopted by a range of organizations globally, including The Business Leaders Initiative on Human Rights and the World Business Council for Sustainable Development. The United Nations Secretary-General has, furthermore, appointed a Special Representative on the Issue of Human Rights and Business, who developed the 'Protect, Respect, Remedy' framework in an attempt to regulate the deleterious impacts on social and human rights standards of the increasing number of companies that operate across national boundaries and thus beyond the reach of conventional corporate control mechanisms (Kell and Ruggie, 1999; Moir, 2001).

Corporate philanthropy as a key pillar of CSR

As outlined earlier, corporate philanthropy has had a critical role to play in the development of CSR: it provided the basis for CSR and now forms an integral element of many CSR strategies. Godfrey (2005) differentiates corporate philanthropy from CSR as being: first, a charitable and nonreciprocal transaction, i.e. made without the expectation of necessarily getting anything back, and second, voluntary and discretionary. Carroll positions corporate philanthropy as one of the four key pillars in a 'pyramid' model of CSR. This comprises: economic, legal, ethical aspects and voluntary/philanthropic contributions. In fact, Carroll revised this schema in 1991 to accord even greater priority to philanthropy as core to corporate citizenship. A strong argument has been made that corporate philanthropy can be used to generate nonfinancial benefits, such as: reputational capital; employee commitment, productivity and trust; positive social action; and constructive relationships with regulatory institutions or legislative bodies (Fombrun, 1996; Godfrey, 2005; Gan, 2006). Godfrey's (2005) work demonstrates the union between CSR as commercial strategy and CSR for moral and ethical legitimacy through philanthropy, arguing that good deeds earn social credits, as well as contributing to shareholder wealth. Godfrey (2005) has also made the critical distinction that only giving that is perceived to be a genuine expression of social responsiveness has this potential: if corporate philanthropy is understood to be an attempt to gain status or as a marketing strategy it can, instead, erode reputational capital.

In the twenty-first century, the most significant contribution to re-articulating corporate philanthropy has been Martin's (2002) and Porter and Kramer's (2002) popularization of the idea of 'strategic philanthropy', whereby it is argued that that corporate philanthropy has the potential to be successful across both business and social domains if social responsibilities are converted into business opportunities.

As outlined earlier, the intention here has been to provide a map of the evolving conceptual terrain in relation to changing global circumstances, rather than to determine working definitions of CSR and corporate philanthropy. It is clear from this overview that corporate philanthropy has a long history, as both a legitimate form of philanthropy and, often, as a central pillar in CSR approaches. In the section to follow, we will further interrogate the fundamental definitional constructs we have introduced here by outlining various theoretical approaches before we

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examine in greater depth the arguments for and against the practices of corporate philanthropy and CSR.

Theories of corporate philanthropy and corporate social responsibility

Not surprisingly, the theoretical and conceptual territory remains equally as contested as the definitional. Over the decades, various approaches to explaining the impetus, motives and intent for corporate philanthropy and CSR have developed from a range of disciplinary and ideological perspectives. This has led to a seeming cacophony of voices, some of which question whether corporations should indeed engage in corporate philanthropy at all. Nonetheless, as Melé (2008: 76) has aptly observed these should 'be understood as normative' in nature and treated as ideal types as they provide a useful lens to understand corporate behaviour from competing perspectives.

We identify four groups of corporate philanthropy and CSR theories. These include: agency theory and shareholder value; stakeholder and social contract theories; theories of corporate citizenship, and finally, critical theories. Illustrated in Figure 24.1, we address each of these in turn.

Agency theory and shareholder value

The emergence of the business and society push coincided with the economic crises of the early 1970s that precipitated the shift from Keynesianism to monetarism under the direction of the aforementioned Chicago school. As noted, its chief figurehead, Milton Friedman (1962), had early on challenged the legitimacy of noncore spending by firms. This was consistent with his long-held conviction and soon to be dominant view, that the principal objective of the firm is profit maximization. Kemper and Martin (2010: 231) maintain that this was 'no accident'. Citing Donaldson (1982), they argue that Friedman's interventions were in fact strategically geared toward stimulating a debate around the fundamental role of the firm within economy and society and confronting the concurrent attempts by early CSR proponents, for instance Davis (1960), to define the corporation in broader terms (Kemper and Martin, 2010: 231-33).

The students of the Chicago school advanced agent-centred theories that pivoted around three core assumptions – what Kemper and Martin (2010: 231) described as 'nested axia': the supremacy of shareholder value, as reflected in a firm's (short-term) share price; the centrality of the principal-agent problem to the modern firm, and finally, the utility of performance incentives for mitigating the agency dilemma, by according managers stock options to align their preferences with that of principals. These manifested in a range of cognate theories with roots in classical economics, including agency theory and the theory of the firm that takes as its starting point the position that humans are self-interested actors, driven primarily by utility maximization (Jensen, 1972; Jensen and Meckling, 1976; Fama, 1980).

Agency theory, and other theories that assume egoistic motives, have a number of clear implications for corporate philanthropy and CSR more broadly. First, corporate philanthropy is by definition a discretionary form of spending. Decisions regarding allocation are generally taken by management (or the agents) instead of owners (or the principals) – parties whose interests are not necessarily always aligned. This presents fertile grounds for principal-agent problems with decisions on recipients made by individuals using what are in effect other people's funds. Second, the most immediate gains are accrued to the managers, 'who reap the benefits', rather than the owners, who meet the costs, (Koehn and Ueng, 2009: 4) further exacerbating the dilemma. Benefits range from the intangible, such as public recognition, to access to elite networks, including invitations to opening nights etc. Agency theorists, therefore, see corporate philanthropy as a potentially

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Narrow ⟷ Extended

	Agency theory	Stakeholder and social contract theories	Corporate citizenship	Critical theories
Motive for CP/CSR	Self-interest/egoistic	Strategic/ contractarian	Contractarian/ altruistic/political	Political/ self-interested
Key rationale of CP/CSR	Maintaining shareholder value through strategic philanthropy – or avoid	Preserving shareholder value through active stakeholder management	Strengthening business contribution to society/ corporations as citizens	Maintaining business to preserve structural and ideational power of capital
Foundational theorists	Adam Smith; Milton Friedman	Adam Smith; John Locke; Jeremy Bentham	Charles Taylor; John Locke	Antonio Gramsci; Autoro Escobar; Michael Foucault; Jürgen Habermas
Contemporary exponents	Fama (1980); Jensen and Meckling (1976); Porter and Kramer (1999); Jensen (2001)	Davis (1960); Donaldson (1982); Freeman (1984); Carroll (1991); Donaldson and Dunfee (1999)	Bowen (1953); Kell and Ruggie (1999); Matten and Crane (2003)	Margolis and Walsh (2003); Levy and Kaplan (2008); Mitra (2008)
CSR/CP and firm performance	Negative – where undertaken for agent's (manager's) self-interest Positive – where undertaken strategically to shore-up reputation and reduce risk	Positive – effective management of diverse stakeholders' critical basis of firm performance	Positive – firm as citizens with associated responsibilities but bounded political rights	Positive – enable firms to co-opt critics and potential critics
Key strength	Goal clarity and lack of ambiguity – shareholder interests paramount and clear direction for agents (managers)	Integrates non-traditional risks – particularly environmental, social and governance risks	Embeds firm within society and as political actor within liberal democracy	Normative and post-positivist – challenges existing problem-solving/ positivist theories
Key weakness	Narrow fixation with owners – firm as purely an instrument of wealth creation	Ambiguity with respect to balancing interests of diverse stakeholders – that is, difficult to prioritize	Potentially vests too much power in firm's ability to adhere to norms	Highly normative – lack of clear reform program

Instrumental ⟷ Rights-based

Figure 24.1 Theories of corporate philanthropy (CP) and corporate social responsibility (CSP)

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problematic endeavour. It is open to gaming by agents who can use corporate philanthropy to their advantage due to information asymmetries. It also presents a potential breach of fiduciary duties as it is potentially a form of 'waste' (Shaw and Post, 1993: 747).

Nonetheless, while shareholder interests retain primacy, this does not preclude a firm from strategically oriented social investments (Shaw and Post, 1993: 747). Noncore contributions to the community that would 'produce an increase in shareholder value' are warranted and indeed encouraged (Garriga and Melé, 2004: 53). Agency theorists maintain that it is only those that incur a cost without a commensurate gain that should be avoided. More recent and nuanced conceptualizations of agency-theory, such as Jensen's (2001) 'enlightened value-maximization', have taken account of the rewards for the firm of taking heed of the interests of some classes of stakeholders, other shareholders, in maintaining market value over the long-term (Garriga and Melé, 2004: 53). In this reading, philanthropy remains in the long-term interests of shareholders and '[t]he agents of the firm (management) have great discretion in making choices regarding what constitutes best interests under a business charter' (Sasse and Trahan, 2007: 31).

Stakeholder and social contract theories

Another set of theories – which Kemper and Martin (2010: 233) observe rose as a direct 'reaction to Friedman's ideas' – can be broadly reconciled around their focus on the importance of a range of interest groups. 'Stakeholder theory' – a deliberate 'play on the word "stockholder"' (Freeman and McVea, 2001: 2) – was originally proposed by Emshoff and Freeman (1978) and subsequently extended by Freeman (1984). This approach theorized, that the complexity of the social, political, environmental and economic context in which modern organizations operate necessitates careful management of the expectations of a range of interest groups, including employees, customers, suppliers, lenders and, of course, shareholders. Freeman (1984: 46) defined a stakeholder broadly as 'any group or individual who can affect or is affected by the achievement of the organization's objectives'. A direct admonition of agency theory (Kemper and Martin, 2010: 233), stakeholder theory articulated how managers must carefully weigh up the importance of all actors affected by a firm's activities to inform decision-making, and was designed 'to broaden the concept of strategic management beyond its traditional economic roots' (Freeman and McVea, 2001: 2).

While it was not developed as a CSR theory per se, the concept of stakeholder management has proved highly influential on CSR thinking (and indeed practice) forming the conceptual foundations of many corporate philanthropy and CSR theories, as well as providing a rationale for extending strategy beyond the firm to include broader societal actors (Carroll, 1991: 43). Stakeholder theory has several obvious implications for corporate philanthropy and CSR. First, Carroll (1999: 290) has argued that the notion of stakeholders provides some 'specificity' to the most fuzzy and ambiguous aspect of CSR, the term 'social'. By doing so it 'personalizes … societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation and activities' (Carroll, 1999: 290). Second, it provides a 'defensive rationale for CSR: corporate philanthropy offers protection against the potential negative impacts the firm will cause any number of stakeholders' (Sasse and Trahan, 2007: 34) and, ergo, stakeholders to firms. Commonly characterized as 'insurance-like protection', it is argued that corporate philanthropy generates positive 'moral capital among communities' (Godfrey, 2005: 777–78) that can be drawn upon in times of crisis and to offset some forms of reputational damage. Finally, it supposedly offers a 'rejection of ethical egoism' that is ostensibly characteristic of agent-based approaches and argues philosophically that there is a 'compatibility of morality and capitalism' (Donaldson, 1999: 238).

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Another variant of stakeholder theory is similarly contractarian in its orientation. First articulated by Donaldson (1982) in *Corporations and Morality*, this approach extends Lockean classical liberal ideas regarding the social contract to business ethics (Fort, 2000: 383). From this perspective the firm does not operate within a social and political vacuum. Rather, business retains 'indirect obligations' to the society (and environment) in which it operates (Jamali, 2008: 220). Articulated more extensively in Donaldson and Dunfee's (1999) 'integrated social contract theory' (ISCT), it illustrates how managers 'can make decisions in an ethical context' (Moir, 2001: 19). In explaining ISCT, they distinguish between the macrosocial contract – or the expectation that a firm will provide support for local communities within an overarching rules-based normative framework known as 'hyper-norms' – and the microsocial contract – or 'the explicit and implicit agreements that are binding within an identified community' (Garriga and Melé, 2004: 56). In doing so, contractarians are making an unequivocal case against 'untrammelled pursuit of profits, addressing Friedman's arguments directly' (Kemper and Martin, 2010: 233), in favour of a system-level analysis that sees the firm embedded within community through an intricately linked array of contracts which serve to legitimize capitalism. Philanthropy and social investment are one means by which these social contracts can be legitimized.

Corporate citizenship

Some scholars have seen contractarian ideas as providing a philosophical and moral basis for conceptualizing the firm as 'citizen' – or so-called corporate citizenship. Taking obvious cues from political science this set of theories similarly focuses 'on the interactions and connections between business and society' (Garriga and Melé, 2004: 55-56). As a consequence, these have been categorized as 'political theories' (Garriga and Melé, 2004: 55; Okoye, 2009: 615; Kemper and Martin, 2010: 234) in that they ascribe to business a place in power relations and sometimes deploy power-based analyses. Nonetheless, in problematizing the concept, Matten and Crane (2003) have observed that in many conceptualizations, corporate citizenship does not substantively differ from the other more *instrumental* understandings of corporate philanthropy and CSR, for example the shareholder and stakeholder approaches, in that these approaches portray philanthropy as a narrow function of reputational and stakeholder management. They term these the 'limited' and 'equivalent' types of corporate citizenship. In this sense, the use of the term is little more than a shift in nomenclature and the use of the idiom 'superficial' and atheoretical.

At the other end of the spectrum, though, what Matten and Crane (2003: 6) term the 'extended view' are rights-based approaches. These can be anchored in the broader literature on globalization that emerged in the 1990s as articulated by global governance theorists, such as Scholte (2000) and Falk (2000). In this reading, the rise of corporate influence and the corresponding decline of state power that has accompanied increased interdependence – perhaps more appropriately viewed as reconfiguration of the state's functions – has undermined the state's ability to act as 'guarantor' of 'social and political rights' as understood in the classical liberal tradition (Matten and Crane 2003: 10). Applying a 'more robust conception of citizenship drawn from political theory' Matten and Crane (2003: 14) argue that the management literature, which has dominated corporate philanthropy and CSR thinking, and its equivalent corporate citizenship, has misread liberal theory in equating corporations with citizens. Rather corporations are more appropriately likened to the state. In doing so they suggest that if the state's power has declined and the relative power of business has increased then business has commensurate responsibilities to citizens as 'facilitators of rights' (Matten and Crane 2003: 16) including through philanthropy.

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Critical theories

The final set of approaches, perhaps better conceived as perspectives, share similarities with the 'extended' view in that they take as the starting point the position that there has been a fundamental reconfiguration of the distribution of power within contemporary capitalism. Generally omitted from the mainstream management literature, critical theories of CSR and corporate philanthropy can be loosely divided into those emerging out of political science – in a range of variants from the post-colonial (Ponte *et al*., 2010; Mitra, 2011) to the neo-Gramscian (Levy and Kaplan, 2008) – to a growing body of work known as critical management studies (CMS) (Grice and Humphries, 1997; Banjeree, 2008). However while these perspectives share (the contestable) position that the corporation has achieved a position of almost governmental importance, they reject the normative position that corporations can be tamed.

While the diversity of views under the broad appellation of 'critical' makes the task of distilling the ideas challenging, and beyond the scope of this chapter, critical theories make a variety of shared claims regarding corporate philanthropy and CSR. These are worth briefly introducing as they offer a counter to the portrayal of philanthropy in many mainstream management texts. First, critical theorists question the authenticity of corporate responsibility and assert that corporate philanthropy is deigned to furnish corporate reputations to limit criticism. In this sense it is part of the marketing function and designed to counter civil society criticism of unethical corporate behaviour and malfeasance. Second, they argue that 'despite the emancipatory rhetoric' the discourses of CSR and corporate philanthropy 'are defined by narrow business interests and serve to curtail the interests of external stakeholders' (Banerjee, 2008: 51). In this reading, private funding for nonprofit organizations may also be used to co-opt critical voices by creating resource dependencies and shared interests and preferences. Finally, critical theories challenge the notion that the theoretical gulf between on the one hand shareholder capitalism and on the other stakeholder capitalism is substantive. They argue that the intellectual skirmish between the two approaches remains to some extent artificial due to the foundational, as well as clear ontological and epistemological similarities between the two approaches essentially grounded in neo-classical and neo-liberal economics.

Indeed this final point is worth exploring further. While stakeholder theory claims to provide 'guidance for CSR decisions' this does not substantively differ from what classical 'shareholder maximization adherents would suggest' (Sasse and Trahan, 2007: 34). This is particularly so when read against frameworks such as Jensen's (2001) enlightened stakeholder maximization. Moreover, such approaches are attempting to challenge 'economic versions of contractarianism' in an environment in which the 'shareholder maximization paradigm reigns' (Margolis and Walsh, 2003: 271-73). That is, organisational scholars, for example stakeholder theorists, are attempting to offer a 'rival theoretical model' but are operating within a hegemonic paradigm in which the maximisation purists, with their focus on performance, set the agenda. This has the perverse effect of focusing the debate on narrow metrics, such as financial performance, which serves to reinforce the 'economic contractarian model and accepts its assumptions' (Margolis and Walsh, 2003: 278). Putting these similarities aside, the debate between the two broad standpoints on the costs and benefits of corporate philanthropy has remained one of the most contested aspects of scholarly research on corporate philanthropy and CSR over the past four decades. This has manifested itself most clearly in the longstanding dispute over the business case for corporate philanthropy and CSR, and the even more contested debate regarding the relationship between corporate social and corporate financial performance. More recently, the terrain has shifted further. The debate has moved beyond whether corporate philanthropy and CSR is good for business to whether it has become either a basic function of compliance – the so-called 'new

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compliance agenda' (Elkington, 2011: 1) – or wholly integrated into core business, most clearly reflected in Porter and Kramer's (2011) concept of 'creating shared value' (CSV).

The business case

Shareholder capitalism and agent-centred approaches to corporate philanthropy and CSR can be categorized as holding a 'narrow view of the business case' in that it is 'only recognized when there is a clear [or direct] link to firm financial performance' (Carroll and Shabana, 2010: 93). By contrast the 'broad view [adopted variously by stakeholder and corporate citizenship approaches] … recognizes direct and indirect relationships between CSR and firm performance' and according to Carroll and Shabana (2010: 93 citing Berger *et al.*, 2007: 144) acts as 'a management philosophy, an overarching approach to business'. However, the underlying logic – that strategic corporate philanthropy and CSR are good for the bottomline – is premised on a number of instrumental benefits that are broadly, although not equally, recognized.

Attracting and retaining high quality employees and staff

There are two principal ways that well executed and structured corporate philanthropy programs are seen as important for firms in 'yielding a competitive advantage in human resources' (Schmidt Albinger and Freeman, 2000: 250). First, corporate philanthropy can act 'as a signal to potential applicants that an organization is socially responsible and upholds ethical values' (Orlitzky, 2008: 120). This is said to lead to an increased ability to attract staff, an assertion that has been supported by a range of studies. Early research by Turban and Greening (1997) has been reaffirmed by Backhaus *et al.* (2002: 309) who have shown that 'job seekers' consider a firm's social performance 'important at all stages of the job search, but most important when choosing whether to take the job offer'. Similarly Schmidt Albinger and Freeman (2000: 250) have found that

> organizations demonstrating higher levels of [corporate social performance] have an increased ability to attract employees … increasingly important when that organization seeks to attract highly educated applicants with a high level of job choice.

Second, it has also been shown that the corporate philanthropy and CSR are important for retaining staff, strengthening what Meyer and Allen (1997, cited in Godfrey, 2005: 786) have termed 'affective commitment' – or the 'employee's emotional attachment to, identification with, and involvement in' an organization. Employees ostensibly derive 'pride from their company's positive involvement in the community' and identify with employers that directly incorporate them into corporate philanthropy and CSR activities (Porter and Kramer, 2006: 7). Dutton *et al.* (1994) have demonstrated that employees are more committed to firms with a positive public image.

Enhanced reputation

Closely linked to the notion that employees favour firms with strong community investment programs – what can be termed 'supply-side' benefits – corporate philanthropy and CSR also generate 'demand-side' reputational benefits including increased 'brand value, which in turn, increases a company's [stock of] goodwill' (Falck and Heblich, 2007: 248). This happens in two ways, and among two different classes of stakeholders. First, corporate philanthropy and CSR can act as ancillary function of traditional 'advertising' or marketing (Lev *et al.*,

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2010: 185) targeted at *customers*. By enhancing a company's reputation, it is asserted that corporate philanthropy can lead to enhanced 'customer loyalty, thereby reducing the price elasticity of demand' (Lev *et al*., 2010: 185). Lev *et al*. (2010: 198) find that this translates strongly in 'consumer sectors', notably financial services and retailing, with corporate philanthropy 'associated with increased sales growth'. This provides managers with a clear and persuasive argument for shareholders in favour of social investments. Second, reputational signals can also be important for attracting ethical and socially responsible investors (SRI) (Orlitzky, 2008: 118), as well institutional *investors*. While a comparatively small component of capital markets, the former class of investor is nonetheless of growing importance, while the latter class of investor is more inclined to favour corporate philanthropy and CSR for its risk management benefits, in line with the longer-term investment horizons of, for example, pension and superannuation funds (Lev *et al*., 2010: 195).

Risk management

Stakeholder theorists have long posited that careful management of diverse, nontraditional, interests is a prudent mechanism of risk reduction through, for instance, the avoidance of litigation and legal costs (Orlitzky, 2008: 121). Over time, though, it has become increasingly commonplace to argue that managing broader environmental, social and governance (ESG) exposures, underpinned by sound ethical foundations, is a prudent mechanism for the reduction of systemic business risks. This view is widely shared by the abovementioned classes of SRI and institutional investors, which see ESG risk management as effective in maintaining value over the long-term. It is also a view held by regulators alarmed over corporate short-termism, revealed in high-profile examples of corporate malfeasance such as Enron and again during the bank-induced global financial crisis and the more recent Barclay's Libor scandal. Companies themselves have also 'awakened to these risks' (Porter and Kramer, 2006: 2). As Husted (2005: 175-76) notes, CSR as risk management strategy is 'fairly straightforward': simply put, companies that develop strategies to monitor and mitigate their environmental impact, maintain high labour standards and workplace practices, and engage proactively with the communities in which they operate should, ergo, 'anticipate and reduce business risks from sources such as potential government regulation, labour unrest or environmental damage'. Similar arguments have been put forward with respect to benefits of 'strategic philanthropy' as an 'insurance-like protection' (Godfrey, 2005: 777). A significant amount of research has been devoted to establishing causality, including by Orlitzky and Benjamin (2001: 388), which finds evidence that a 'higher reputation for corporate citizenship' is correlated with low business risk.

Corporate philanthropy and CSR as corporate strategy

The idea that firms can obtain a competitive advantage through strategic social investments is not new. As noted earlier, Porter and Kramer (2002) have long argued that firms that align philanthropic strategy with core business competencies can nurture a competitive edge over rivals. The problem is, they assert, that corporate philanthropy and CSR are rarely done correctly. It is generally diffuse, unstructured and fragmented and unrelated to broader organizational goals, which results in uncoordinated activities that are unlikely to yield long-term benefits for firms or communities (Porter and Kramer, 2002). To unlock 'long-term competitive potential' firms should 'apply their distinctive strengths' in their corporate philanthropy and CSR (Porter and Kramer, 2002: 15). This emerges from a fundamental recognition of the 'interdependence between a company and society' (Porter and Kramer, 2006: 6).

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It is also underpinned by a belief that firms are in some instances better resourced, equipped and retain superior information than other institutional forms – including government – to tackle complex social and environmental problems in their area of expertise (Porter and Kramer, 2011). This does not obviate the role of government, which retains its own competitive (and comparative) advantages. Rather, firms have unique capacity to scale-up and innovate, which means they are ostensibly better equipped to address 'wicked problems' that cannot be resolved through traditional philanthropy or the state as the cost is simply too high. This has been most recently articulated in the concept of 'creating shared value' (CSV), which has emerged as the latest trend in sustainability discourse proffered by Porter and Kramer (2011). The idea of CSV combines the competencies of companies and NGOs to deliver products or service solutions with both commercial scale and positive social impact for customers, clients and communities more broadly. This accords closely with Carroll and Shabana's (2010) 'broad view' or Berger *et al.*'s (2007) 'syncretic model' but according to its growing band of proponents, CSV moves beyond strategic philanthropy and indeed CSR to a wholesale incorporation of social and environmental thinking into corporate strategy.

Corporate philanthropy in practice

In the twenty-first century there has been a surge of interest in CSR and corporate philanthropy as means of tackling some of the myriad challenges posed by globalization and financial austerity. A 2010 survey by Edelman, a public relations firm, showed that 69 percent of consumers globally now believe corporations are in a uniquely powerful position to make a positive impact on good causes (COF, 2012: 10). In turn, a range of high profile companies have begun to view corporate philanthropy as a critical part of their operations.

Companies engage in a variety of activities to meet their corporate philanthropy objectives including: direct cash contributions to charities and other nonprofit organisations; product and equipment donations; partnerships with nonprofit organisations or NGO organizations; cause-related marketing; employee matched giving programs; scholarship programs; contributions of employee labour or technical expertise; and the provision of in-kind services. When partnering with nonprofits or NGOs, affiliations are generally pursued with institutions that operate in the fields of education, health, the arts and cultural affairs. In international environments these may include development activities such as: education and medical interventions; the provision of community infrastructure; or training programs in an area of technical expertise relevant to the business (Genest, 2005: 315-316).

Implementation frameworks

The rise in interest in these practices has seen a concomitant demand for guides to and examples of implementation and measurement. Based in the US, the Committee Encouraging Corporate Philanthropy (CEcorporate philanthropy) is an international consortium of businesses that focuses on raising the level and quality of corporate philanthropy. The CEcorporate philanthropy developed the Corporate Giving Standard Benchmarking Tool, based on data collected through the annual Corporate Giving Standard (CGS) Survey, which has run since 2001. The 2011 survey included data from a total of 214 firms, including 62 of the top 100 companies in the Fortune 500, detailing philanthropic contributions across all respondents in excess of $19.9 billion in cash and product giving (CEcorporate philanthropy, 2012:1). In 2012, the CEcorporate philanthropy produced *The Global Guide to What Counts: A Defining Moment for Corporate Giving*, which aims to offer clear and simple guidance to undertaking corporate

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philanthropy. Also in the US in 2012, *The Council on Foundations*, a nonprofit organization that comprises over 1,700 grantmaking foundations and corporations, produced *Increasing Impact, Enhancing Value: A practitioner's guide to leading corporate philanthropy*.

The Guide to UK Company Giving has been produced annually since 2004. In 2011, it detailed more than 600 companies in the UK that made philanthropic contributions of around £762 million to voluntary and community organizations, including £512 million in cash donations. The company listings detail the nature of the company, its community giving policy, levels of giving (both cash and in-kind), details relating to employee and payroll giving, sponsorship and cause-related marketing, the company's charity of the year and partnerships. The guide offers advice for nonprofit organizations on what to be aware of when seeking corporate support, and help to attract a successful partnership or sponsor. All these frameworks seek to encourage innovation in, and expansion of, the corporate philanthropy field.

Measurement Tools

The development of effective measurement tools has emerged as a necessary priority in achieving successful corporate philanthropy implementation. The London Benchmarking Group (LGB) model is the best known and most widely used tool to measure the charitable contributions of companies. It takes its name from the group of UK-based companies that collaboratively developed the model. The Group in the UK numbered more than 100 member companies at the time of writing, and now has a global membership base that also includes companies from Europe, US, Middle East, Asia and Australia. The LBG model not only counts charitable cash donations, but also a broader range of corporate philanthropy community and business engagements such as employee volunteering, product donations and in-kind contributions of training and technical assistance. It also records the outputs and longer-term community and business impacts of corporate philanthropy projects and includes a range of case studies on its website (www.lbg-online.net/).

The LBG is run in conjunction with Business in Community's (BITC) voluntary benchmarking and incentive scheme. BITC is a business-led charity focused on promoting responsible business practice, which recognizes companies who make charitable contributions in excess of one percent of pre-tax profits with a certificate and the right to use the PerCent Club logo (www.bitc.org.uk/; Spence and Thomson, 2009: 374).

Conclusion

Over the past 50 years, there has been significant theoretical, conceptual and practical evolution in both corporate philanthropy and CSR. These changes rapidly gathered pace from the mid-1990s with the onset of accelerated globalization, subsequent civil society critique of corporate behaviour and ultimately the mainstreaming of CSR. Even those firms that were resistant or laggards to the corporate philanthropy and CSR agenda, now routinely report on social and environmental activities, mostly in separate sustainability reports, employ staff to oversee their programs and tend to genuinely believe that their philanthropic and CSR activities are core to business and beneficial to society. Still, the question must be asked: can firms be ethical and responsible? Are corporate philanthropy and CSR merely window-dressing? Given that the growth of the corporate philanthropy/CSR agenda has closely tracked a number of high-profile corporate failures, scandals, and finally, the global financial crisis would lead any rational observer to scepticism.

Nonetheless, over time there has been a growing understanding among firms of their obligations to society, as well as a growing sophistication of strategy among a minority of leaders.

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In many ways the idea of the firm as purely an economic instrument of wealth creation as theorized in traditional shareholder capitalism has broken down, at least when seen through the narrow lens of Friedman. The enlightened stakeholder approach does not dramatically differ from other stakeholder and social contract theories and there is seemingly a reasonable degree of consensus that corporate philanthropy and CSR are good for the bottom line. Corporate citizenship and critical theories, which privilege political factors, offer a more sceptical reading, but ultimately it remains to be seen whether the corporate philanthropy and CSR movements, in particular in the current emphasis CSV incarnation, can lead to more sustainable business practices.

Similar trends can be observed with respect to research. While corporate philanthropy and CSR research was until relatively recently novel and indeed marginal area of scholarship, it is now firmly in the mainstream, featuring prominently in mainstream journals and universities. Long debated questions regarding, for example, the relationship between corporate philanthropy/CSR and firm performance continue to be debated, but as with the theoretical debates, there has been a recent turn away from whether corporate philanthropy/CSR are good for the bottom line to how they can best be executed to deliver both social and economic outcomes. In this sense, the CSV agenda, which is yet to be tested, offers perhaps the most fruitful and compelling research agenda.

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