

**WHY DO FIRMS GIVE – ALTRUISM, ADVERTISING OR STAKEHOLDER
MANAGEMENT?**

**Development of a framework to understand Corporate Philanthropy and
its application to business involvement with the Arts in the UK**

**Lance Moir
Cranfield School of Management
Cranfield University
Cranfield
Bedford
MK43 0AL
UK**

Tel: +44 (0)1234 754374

Fax: +44 (0)1234 752554

l.moir@cranfield.ac.uk

This research is supported by funding from Arts & Business with grants from the
Department for Culture, Media and Sport

ABSTRACT

This paper proposes a framework for analysing corporate philanthropy along the dimensions of business/ society interest and internal/ external stakeholder focus. The utility of the framework is then tested in order to understand business involvement with the Arts in the UK.

The framework identifies three broad types of involvement – advertisers, legitimisers and stakeholder management – the last group with the potential to be regarded as corporate citizens.

Introduction

'If we give with the underlying motive of inflating the image others have of us...we defile the act. In this instance, what we are practising is not generosity but self-aggrandizement.'

Dalai Lama (1999:121)

Why does business give? Is it no more than advertising (Pava and Krausz, 1996), is it used as a way of managing the corporate environment (Young and Burlingame, 1996), is it an expression of some form of duty or social contract (Donaldson and Dunfee, 1999), some form of altruistic behaviour or philanthropy or something else? Indeed, what is referred to as philanthropy in the literature may indeed mask normal profit-seeking behaviour.

Approaching this question is central to many other issues that might follow, such as assessment of measurement and social accounting. As Young and Burlingame (1996: p 158) put the issue:

'Why *do* businesses engage in giving and volunteering?

If we knew how to respond to this question, much else would follow. We would know what to measure and what information to collect; we would identify promising alternative giving strategies; we would be guided by a common theory in analyzing our strategies with the information we collected; and we would know the audiences for our analyses – all in the cause of trying to make corporate philanthropy more effective. Indeed, we would know what we meant by the effectiveness of corporate philanthropy!

Our understanding of business involvement with community activities, such as the Arts, when viewed as philanthropy is under-specified. In particular, the tension within the literature between predominantly advertising or marketing and more broadly based community activities can be separated. Especially, an attempt can be made to understand the motivation for such community activities.

This paper proposes a framework for thinking about motivation for corporate giving by examining both the relative attention given to business and societal interests and also the stakeholders to which the firm pays attention. A model is proposed that maps firm motivations against the dimensions of business/ society and internal/external stakeholders. The resulting framework is then used to plot the four ways identified by Young and Burlingame (1996) to understand corporate philanthropy. This model is then applied to identify underlying motivations for business support of the Arts in the UK by analysing a unique dataset, comprising a series of statements by 60 firms about their involvement with the Arts in the UK. Content analysis is used to identify underlying motivations, both business focused and arts focused for the firms' involvements with the Arts. Resulting clusters are then extracted in order to identify patterns of behaviour.

This research identifies a range of motivations. However the dominant emphasis in the texts analysed is on instrumental behaviour. In some cases, the involvement does amount to advertising or some form of marketing. However, in others there is a clear desire to manage the business environment via stakeholder management. Three types of firms are identified, advertisers, legitimisers and potential corporate citizens.

The next section examines models for assessing philanthropy within firms. Section 3 sets out the data and methodology adopted in this study and section 4 sets out the results. The final two sections discuss the results and set out conclusions, limitations and directions for further research.

A framework for assessing philanthropy

There is increasing focus on the social responsibilities of business or what is often termed Corporate Citizenship (Waddock, 2002). A frequent aspect of this focus is upon what might be termed philanthropic activities, especially community based activities. Indeed, it is proposed that a socially responsible firm will take account of the communities in which it operates and that one way of manifesting this responsibility will be in the shape of various philanthropic activities. However, it has also emerged that there should also be a business focus to corporate giving, in the shape of strategic philanthropy (Saiia, 2001; Useem, 1991) and that firms should focus their activity both on social issues and

in ways that can deliver benefits to the firm. Key issues are whether the benefits to the firm dominate over the benefits to society and what are these benefits?

Assessing motivation is not an easy question to approach; Gray, Owen and Adams (1996) note that motivation is tricky to infer – “simply to assume self-interest is both trite and potentially deeply offensive to the individuals in the reporting organisation – there is usually more than one motivation and of more than one individual.” Thus, it may well be that firms seek community-based activities that also bring business benefit – indeed this is logical in a shareholder-based focus. However, we do not know what drives such activity – the desire to be a ‘good corporate citizen’ or pure instrumentality. The importance of identifying motivation is put by Mitnick (2000: 425): “doing apparently good work (outcomes) for bad reasons (principles) is not the same as good work for good reasons”.

Concluding a book that reported a number of papers on corporate philanthropy, Young and Burlingame (1996) identify four different ways of understanding corporate philanthropy derived from the ways of thinking about how corporations actually work:

Neoclassical/ corporate productivity model: The object is that philanthropy is there to contribute to make profits.

Ethical/ altruistic model: Do what is right for society with a freedom to switch towards non bottom-line issues.

Political model: Aim is for firms to advance their long-term interests in society.

Stakeholder model: This model allows the possibility of the other models, but sees the possibility that the firm will attend both to business and society.

Within these approaches we can see that firms might undertake what is perceived as corporate philanthropy for more business or societal ends. In particular, the primacy of the business focus as advocated by McWilliams and Siegel (2001) can be at odds with more balanced approaches. Pure business interest amounts to no more than the neo-classical approach and advertising can be considered within this approach. Pure societal interest amounts to altruism, however there is also the risk here of abuse of the giving in order to further particular managerial interests, which might not necessarily be in the firm’s interests. In the middle, where both interests are represented lie both instrumental interests, with relative more or less business benefit and strategic philanthropy (Saia, 2001). Thus a first approach to

understand motivation can differentiate between business focus and a societal focus and these can be regarded as two ends of a continuum.

Corporate philanthropy or giving is regarded as part of assessing Corporate Social Performance (e.g. Clarkson, 1995) and the stakeholder model of the firm has come to dominate the literature on Corporate Social Performance (Mahon and Wartick, 2000). However, within the stakeholder model, the issue will be the balance between the firm and the stakeholders and to *which* stakeholders. Even if business is paying attention to multiple stakeholder groups, then it is impractical to pay attention to all such groups equally. Managers pay attention to stakeholders who have the characteristics of power, urgency and legitimacy (Mitchell *et al*, 1997; Agle *et al*, 1999).

Therefore, we can also understand the motivation for corporate giving along a second dimension which focuses on the primary business-focused stakeholders of customers and employees as opposed to the more external stakeholders of communities and the environment. It is acknowledged that firms might pay attention both to internal and external stakeholders; indeed this is what advocates of stakeholder management propose. However, a relatively more internal focus could mean that the intent is more economic in focus as these stakeholders have a greater immediate impact on profitability, whereas an external focus could mean either a genuine attention to community based needs, or else an attempt in securing legitimacy with the wider society. The two dimensions of business – society and internal stakeholders – external stakeholders can then placed together in order to provide a framework within which to assess motivation for corporate involvement. Therefore, the model could be presented as: .

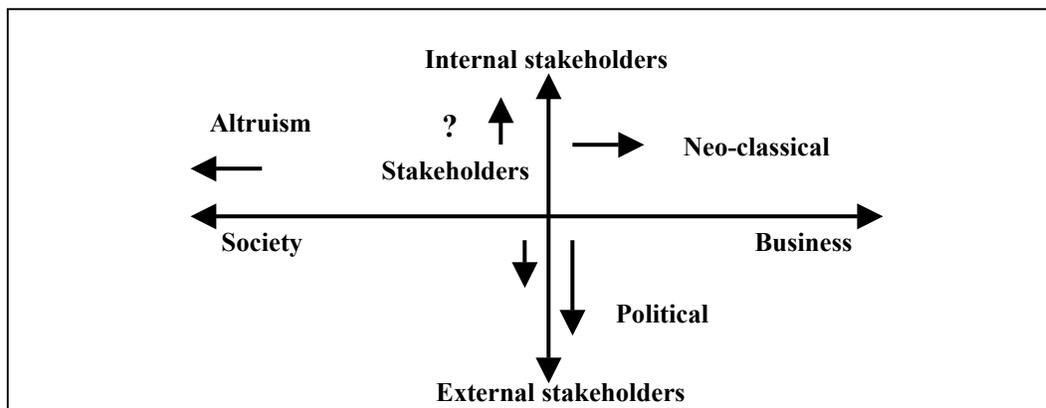


Figure 1: The framework with the Young and Burlinghame categories

Methodology and Data

The utility of the model is tested by analysing directly the stated motivations of corporate arts givers to understand what reasons they give for such involvement, by focusing on both the declared motivations and the claimed benefits. Formal content analysis is used to undertake the analysis and cluster analysis is then applied in order to identify patterns. Further in order to apply the first dimension of the proposed model, the attention to business motivations or benefits is compared to arts or societal benefits and a relative scale is obtained by considering the ratio of business references to total business and societal references. Next, the types of stakeholders involved are identified in order to provide the second dimension of the model. This is achieved by counting the references to customers, employees, communities and environment.

The Arts & Business¹ website (www.aandb.org.uk) has, during 2001, listed 95 case studies of business supporting the Arts –these are cited as ‘some of the most successful partnerships forged between business and the arts’. Some of these vignettes are not about business giving to the Arts, some describe the use of Arts-based training and some describe the involvement of a single individual from a firm as a volunteer in an advisory capacity to an Arts organisation. These cases have been excluded, as they do not address the question of this study. Further, in order to focus on the tension between economic and social benefits, those cases relating to public sector organisations, owner-managed firms and small partnerships were excluded, as the focus on economic benefits is less pronounced. This leaves 60 cases. The case studies were each written by the Arts & Business staff, but then agreed by the business involved. A senior member of Arts & Business, on being asked, described the purpose of these case studies as ‘illustrative and inspirational’ – therefore we may assume that at least part of their objective is to encourage greater business involvement and that the texts will be clearer about why the firm undertook the activity. Thus, these vignettes offer an indirect way of examining those aspects of business involvement with the Arts that are regarded as important to business. They are not aimed directly at the mass public, but they are available in a public source.

Although any statement given by a firm suffers from the bias of seeking to manage the reader’s perspective of the firm, the analysis of these cases provides an

¹ Arts & Business is an organisation funded by a number of bodies, notably the Department for Culture, Media and Sport (‘DCMS’), the London Arts Board and also by membership of businesses. Its objective is primarily to ‘build creative partnerships between business and the arts’ (Arts & Business, 2000).

alternative perspective that might be less subject to such bias; not least because the original words were proposed by a third party. There is likely to be less deliberate care in the presentational aspects than in either annual reports or advertisements. Therefore, they offer a novel data set with which to unpick part of business motivation for such activity.

Analysis of the Data

The first stage of the analysis was to identify those sentences that claimed a benefit or motivation, either for business or for society.

As described above, the number of references to business benefits, arts/societal benefits, customers, employees and community/environment were counted. The resulting counts were then plotted against axes, whereby the x axis represents the business – society axis. Similarly the y axis represents the internal – external stakeholder focus

Cluster analysis is then applied in order to identify patterns of motivation by different firms. The cluster analysis provides five broad groups. However, it is striking to note the extreme positions of firms that mention only business benefits and internal stakeholders, together with a smaller group focused on communities and society. This may of course be due to the texts chosen. In order to illustrate this analysis and to understand the motivations more clearly, statements from each group are described.

Group 1(0.3 – 0.5, 0.1 – 0.5) These firms focus almost exclusively on business benefits and either customers or employees. Generally speaking this group includes elements that are purely instrumental. Some, such as Anheuser, were explicit that the involvement was about brand promotion.

Anheuser Busch was able to make full use of the event, generating a great deal of favourable publicity and exposure. In particular, the Festival provided a platform for the company to strengthen its relations with the license trade whilst generating greater interest in the brand to develop further sales in the region.

(Anheuser Busch)

Group 2: (0.05 – 0.25, 0.2 – 0.5). This group has a more balanced business/ society interests, but the focus is still on internal stakeholders. As such this is still an instrumental group. For example:

The sponsorship underlines the core TSB Marketing objective, 'to communicate its message to secondary school children (when) potential customers start to think about where they might want to open an account'.

(Lloyds TSB)

The key objectives were devised around positioning Barclays as a leading, enabling and innovative organisation, responsive to a recognised regional need.

.(Barclays)

Groups 3 and 4 are broadly around the internal/external axis and differentiate between those with a greater business or societal focus. Although some of these cases have no stakeholder references, the rest show elements of stakeholder approaches that may be regarded as citizenship, but still with a business benefit evident:

Thousands of young children throughout Scotland - the audiences of the future - have benefited from the RSNO's expertise while being introduced to the world of classical music in a stimulating and fun way.

(Tesco)

Group 5 (-0.35 – 0, -0.3 – -0.5). This group focuses largely on societal benefits, especially the community. What is notable about this group however, is that six of the nine companies are privatised utilities and that, together with a further company, Camelot², these firms need an active licence to operate. As such they require some form of social legitimacy. Indeed a further analysis of those firms that seek an active licence to operate³ will speak more of education or community motivations (significant at the 0.04 level) and similarly refer more to arts than to business (significant at the .005 level).

The mobile theatre enables Clwyd Theatr Cymru to take drama of the highest quality to the people, and involve entire communities in rigging the structure, hosting the company, participating in the experience of

² Camelot is the operator of the UK National Lottery

³ Defined to include natural resource firms, the privatised utilities and those with recent PR difficulties such as the high street clearing banks and Camelot

the show and benefiting from the accompanying education programme attached to each production.

(Edison Mission Energy)

Figure 2 shows the results of the cluster analysis.

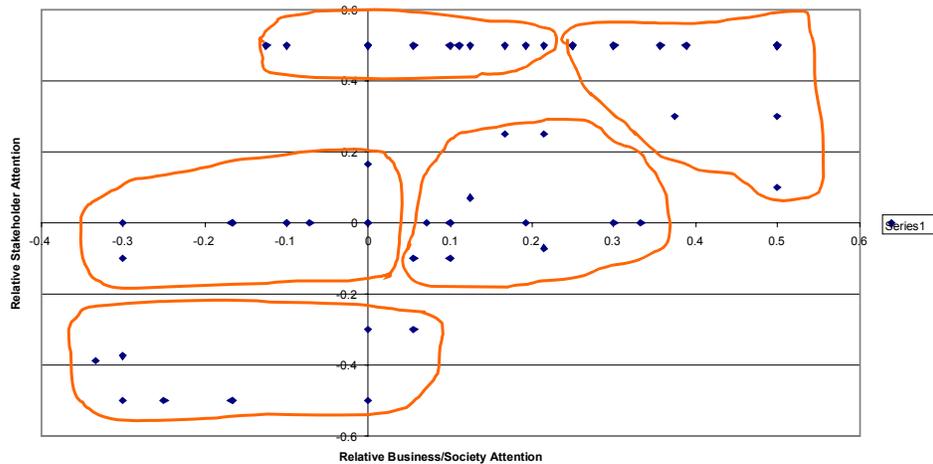


Figure 2

Discussion – forming a holistic view

Returning to Young and Burlingame's (1996) four models, we can identify all four operating at some level. The presence of a business motivation or benefit is evident, however the balance with the Arts is not always clear. By examining the dominance of business interests claimed over arts interests, it is possible to see those firms whose dominant interest is that of business promotion. These firms might be termed 'advertisers' and as such their involvement with the Arts represents a neoclassical or instrumental model. Within the earlier analysis, groups 1 and 2 could be seen to operate at this level. There is a need to advertise either to customers or to employees. Thus there is an attempt to attend to salient stakeholders (Mitchell *et al*, 1997).

The difficulty in discerning between the models lies in the political and stakeholder models. Certainly there is clear evidence of a wide attention to stakeholders and that the firm needs to pay attention to multiple stakeholders. There is however a clear choice of *which* stakeholders. As such, those firms that need to seek an active licence to operate might well seek that via paying attention to stakeholders such as the community, who do not provide an immediate impact to the bottom line. Similarly, firms that seek a licence to operate will speak of less explicit business motivation.

Ultimately, a holistic reading of each vignette is needed, but with the view that there are three categories of engagement emerging:

- Those that use the Arts as a form of pure reputation enhancement, almost as a form of advertising. We might expect these firms to measure purely business benefits.
- Those who seek a licence to operate. These firms might measure business benefits and also direct some form of attention to community stakeholders. However, the legitimisers may pay relatively less attention to explicit business benefits.
- Those that use the Arts as a form of stakeholder engagement. This engagement clearly has different levels. Some are involved with the Arts in ways that focus directly in a way that links to the business. Others such as IBM, whilst using business skills, have a less clear link back to business benefits. Ultimately a balance might lead to what is termed a ‘corporate citizen.’

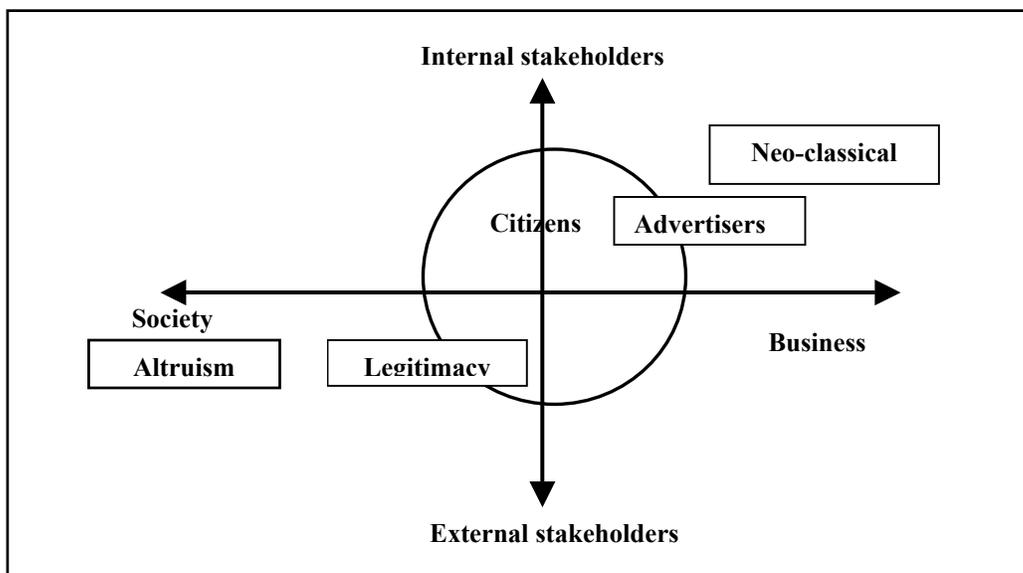


Figure 3: A revised framework

This analysis raises the question of whether ‘philanthropy’ is the correct term. Certainly, where instrumental motives are clear in a way that can be regarded as a business investment, does this count in the way in which corporate giving is typically considered?

Conclusion

This paper has proposed a way of thinking about corporate philanthropy by re-framing the ways of thinking about philanthropy proposed by Young and Burlingame (1996). A framework for thinking about corporate philanthropy and corporate-social engagement has been proposed and its utility tested on a novel data set. This was achieved by looking at claimed business benefits as well as benefits to the Arts. Corporate reputation or brand association was mentioned by every firm, however widening access for the Arts was also mentioned by 40% of the firms studied. A separate analysis of attention to stakeholder groups identified that those firms that might be expected to seek an active licence to operate paid particular attention to community stakeholders and cite community or education benefits. The research used a new approach to constructing various groups’ involvement with society, which have been tentatively grouped as advertisers, licence to operate and corporate citizens. These may be differentiated by the groups and degrees of attention to various stakeholders.

Reference List

- Agle, B.R., Mitchell, R.K. and Sonnenfeld, J.A. (1999) What matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal* **42**, 507-525.
- Clarkson, M.B.E. (1995) A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review* **20**, 92-117.
- Dalai Lama (1999) *Ancient Wisdom, Modern World. Ethics for a New Millennium*, edn. London: Little, Brown.
- Donaldson, T. and Dunfee, T.W. (1999) *Ties That Bind*, edn. Boston: Harvard Business School Press.

- Gray, R., Kouhy, R. and Lavers, S. (1995a) Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing and Accountability Journal* **8**, 47-77.
- Gray, R., Owen, D. and Adams, C. (1996) *Accounting and Accountability; changes and challenges in corporate social and environmental reporting*, Harlow: Prentice Hall Europe.
- Mahon, J.F. and Wartick, S.L. (2000) From the Editors. *Business and Society* **39**, 355-357.
- McWilliams, A. and Siegel, D. (2001) Corporate Social Responsibility: A theory of the firm perspective. *Academy of Management Review* **26**, 117-127.
- Mitchell, R.K., Agle, B.R. and Wood, D.J. (1997) Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review* **22**, 853-886.
- Mitnick, B.M. (2000) Commitment, Revelation, and the Testaments of Belief: The Metrics of Measurement of Corporate Social Performance. *Business and Society* **39**, 419-465.
- Pava, M.L. and Krausz, J. (1996) The association between corporate social responsibility and financial performance: The paradox of social cost. *Journal of Business Ethics* **15** (3):337-347.
- Saiia, D.H. (2001) Philanthropy and corporate citizenship: Strategic philanthropy is good corporate citizenship. *The Journal of Corporate Citizenship* 57-74.
- Useem, M. (1991) Corporate Funding of the Arts in a Turbulent Environment. *Nonprofit Management & Leadership* **1**, 329-343.
- Waddock, S.A. (2002) *Leading Corporate Citizens: Vision, Values, Value Added*, edn. New York: McGraw-Hill.
- Young, D.R. and Burlingame, D.F. (1996) Paradigm lost. Research toward a new understanding of corporate philanthropy. In: Burlingame, D.F. and Young, D.R., (Eds.) *Corporate philanthropy at the crossroads*, pp. 158-176. Bloomington: Indiana University Press]