Corporate Philanthropy: A Strategic Marketing Consideration

Philip L. Fioravante
Capella University

Considering the essential rudiments of a strategic marketing plan, firms explore internal and external means. Corporate philanthropy is quickly becoming a viable strategic option in development of marketing strategies. Firms looking to further brand development, market recognition, and enhanced customer perceptions can integrate philanthropic initiatives throughout the planning process. Implementing these initiatives in a complementary fashion to the overall business plan brings forth the latency of creating a distinctive competitive advantage for those choose to do so. This marketing phenomenon provides a cogent social and economic approach to furthering the myriad of business agendas necessary to have market sustainability.

INTRODUCTION

Corporate philanthropy is a phenomenon which associates the business sector with the social sector. Social historians and researchers alike as a subset of a larger corporate social responsibility (CSR) subject, philanthropy provides an opportunity for corporations to establish an ethical and moral mantra within the organization (Gan, 2006; Madrigal & Boush, 2008). An organization is comprised of people who assume the responsibility of cultivating and maintaining a culture supportive of philanthropy and its range of objectives. Successful philanthropy – achieving the goal is as vital to an organization as the "core business" (Bruch & Walter, 2005). Philanthropic initiatives are complex and thus need to be developed, communicated, implemented, monitored, and lastly sustained, in order to guarantee its viability as a strategic tool.

Embarking on the journey of studying the underpinnings of corporate philanthropy and its assemblance of meaning, one must first determine the construct of the phenomenon. First, corporate is defined as a public entity organized around a central theme driven by a collectivist culture of economic, legal, and social purpose. Secondly, philanthropy is defined as a means by which public organizations externally exhibit corporate social responsibility – widely defined by a myriad of scholarly authors (Carroll, 1979; Gan, 2006; Halme & Laurila, 2009). Moreover, the term as simply put by Drucker (1984), "philanthropic, that is the love of his fellow men" (p. 54). Alternatively, Luo and Bhattacharya (2009) suggest, a "Friedman-esque view" of CSR as an acknowledgment of a more traditional economic or capitalistic perspective. However, for uses herein, the expression describes the role and responsibility of the firm to recognize its societal obligation and to execute initiatives to benefit its constituents – *altruistic capitalism.*

THE PHENOMENON AND CONSTRUCT

Philanthropy, in a business perspective, is through the lens of the social sector (Collins, 2009). Alternatively, according to Gan (2006), "Philanthropy, by its definition and in its early forms, assumes a certain degree of altruism and magnanimity" (p. 217). This oft is referred to as "generosity of spirit" which creates a dichotomy for corporations today. Corporate philanthropy by its very definition creates the sense of social responsibility with no strings attached. Firms utilizing philanthropic initiatives as part of an overall market development strategy must not look for an absolute monetary return, but to a certain extent a *balance of returns* comprised of social, ethical, and financial measures (Davis, 1960; Lockett, Moon, & Visser, 2006). Berger, Cunningham, and Drumwright (2007) furthered this notion and professed, CSR "does appear to make business sense for some, but not all companies" (p.135). Notwithstanding, firms can use philanthropy as a means to an end through an ethical, enterprise-wide, and cogent focus.

As stated in Velasquez (2006), "Pundits sometimes quip that *business ethics* is a contradiction in terms because there is an inherent conflict between ethics [philanthropic based] and self-interested pursuit of profits" (p.5). Davidson (1994) further asserted, "Strategic [philanthropic] charitable giving is not intended to replace ethical corporate performance" (p. 274). Corporations seemingly have a duty to align themselves with philanthropic causes in a strategic investing behavior – with an eye on charitable good and the hope (or intent) of some business return. For instance, Burch and Walter (2005) reported two distinct categories of corporate philanthropy. "Marketing orientation" represents the external strategies and tactics employed and readily focuses on the customer and other stakeholders who place demands and expectations on the firm. Alternatively, "competence orientation" suggests the need for internal strategies and assessments to ensure "alignment of corporate philanthropic initiatives with their companies' abilities and core competencies" (p. 50). Each of these orientations provide support to the theory of multiple factoring in that a value proposition is more than simply a customer focusing mantra – of equal importance is the consideration of creative ways in which to maximize all core competencies. In specific, utilizing corporate philanthropic initiatives to foundation and further the strategic marketing planning process and associated outcomes.

LITERATURE REVIEW

There is a bounty of research articles based on quantitative, qualitative, and mixed methods approaches inquiring about corporate social responsibility (CSR). Many of the seminal and more recent authors introduced the phenomenon of "philanthropy" as a subset of CSR. Friedman (1970) presented his self-professed socialist tendency and his theories regarding market mechanisms, capital structure, and the notion of social responsibility. His theoretical position centered on the word "social" and concluded, "There are no 'social' values, no 'social' responsibilities in any sense other than the shared values and responsibilities of individuals" (p.126). This perspective may initially appear to have a positivist paradigm. However, Friedman (1970) later asserted there is a relationship between the company and the consumer in an economic sense that drives the rules the engagement in an open, free of fraud, and responsible manner. His narration provided fundamental reasoning for company and stakeholder relationship in the lens of objective capitalism. This appears to add validity to strategic philanthropy and its associations, internal and external, to the company.

Moreover, Feldman (1971) described the importance of adaptation and adoption "means" in a corporation's sales and marketing "institution". In this sense, the role carried out by the marketing organization within, (thus the term "institution") the company is essential to the development of and adherence to a corporate social responsible (CSR) agenda. Using this in comparison to today's practices as evidenced in numerous research articles, corporations recognized as best-in-class have instituted philanthropic initiatives across the organization thusly forming a cultural supported philosophy of corporate social responsibility in all aspects of the business. Similarly, Sweeney (1972) stated, "Marketing must address and enhance the values of stakeholders and society, meaning that social responsibility is the inherent aspect of nature of marketing" (p. 8). Accordingly, Feldman (1971) claimed, "For in a dynamic environment, social institutions must either change or disappear as they become inappropriate to meet new conditions" (p. 54). The value of this theory address the adaptability positions a company uses to solidify its customer relationship dynamic and make certain perceptions are through a positive lens. Philanthropy should not and cannot stand in isolation - it is an essential complement to a corporation's strategic value proposition.

Corporate social responsibility as evidenced continues to play a role in the strategic direction and financial performance of a company. The economic aspects have reasonable correlation to positive market presence and therefore consumer perception. In addition, these perceptions and the extent of CSR exhibited by a company affect buying behaviors (Bird, Hall, Momentè & Reggiani, 2007; Lockett, Moon & Visser, 2006). Continuing, Lockett et al. (2006) stated, "Although CSR [philanthropy] is addressed by many disciplines…[it] has become an increasingly salient feature of business and the environment, to which managers are expected to respond" (p. 115). Agreeing with this postulation creates the further opportunity to study cause and effect variables such as brand strategy and how it is affected by philanthropic initiatives employing a qualitative (phenomenological) design study.

In general brand management terms, Madrigal and Boush (2008) asserted, "The focus of current research is on social responsibility as a unique dimension of brand personality, conceptualized in terms of a brand's obligation to society at large" (p. 539). Therefore, if the brand is able to "sell its philanthropy" to the consumers, who value (societal and fiscally) this *phenomenon,* they may reciprocate with strong perception and thus affect market relevance leading to business growth. In a similar vein, a company's societal qualifications can be instrumental in the establishments of differentiation and the correlation between consumer brand loyalty and philanthropic activities (Mirvis, 2008). In support of this position, a firm can create opportunities for itself to enhance brand image, reduce costs, and enhance functionality utilizing philanthropy (Brammer & Millington, 2005). For example, a firm can use internship programs to reduce its overhead costs resulting in lower acquisition costs for consumers. In addition, by investing in new research initiatives firms can gain proprietary access to unique technologies (Halme & Laurila, 2009). In turn, the adoption of these may result in improved functionality of current product or service offerings.

Literature reviews can provide a balance of deductive processes typically resulting in researcher hypotheses and advancement of new theories based on inductive conclusions (Scandura & Williams, 2000). In this sense, corporate philanthropy provides such a fundamental opportunity for testing hypotheses in a quantitative methodology as well as qualitative. In existence today is a myriad of literature addressing both of these research design approaches. For example, in a quantitative bent, Golob, Lah, and Jančič (2008) argued consumers place significant importance on the CSR policies of the company with who they have business transactions. Siltaoja (2006) offers a supporting view in describing the relationship between CSR and reputation from a stakeholder -value theory perspective. Moreover, these stakeholders place emphasis on ethical, moral, and in some case the philanthropic manner in which the company positions itself in the hierarchal rankings.

The state of current literature is quite rich in marketing and strategic business implementation. Research studies on a "go-forward" basis may begin to go deeper into the whys of selecting CSR as strategic imperative. By means of triangulation, research appears to share significant common threads. Social sciences such as sociology and psychology contribute to ethical decision-making, consumer perceptions and brand loyalty. Data analysis within case studies and interviews have provided clear correlations between CSR [philanthropy] and "marketing" objectives such as revenue generation, market share, brand reputation, and market differentiation.

Understanding the potential impact of philanthropy in all of its forms enables a corporation to alter its value proposition and ultimately shape the manner in which it employs this phenomenon in the business strategy. Strategic marketing has a myriad of meanings and applications across industries. Philanthropy can add altruistic and capitalistic contribution to an organization. By analyzing how corporations use philanthropy for strategic marketing purposes, conclusions are possible that are drawn on the intrinsic value beyond the "feel good" and towards a business growth driver.

MANAGERIAL IMPLICATIONS

Introducing the construct of strategic philanthropy simply is putting integration of “form and function” in front of an effective, economic approach of altruism. Aligning corporate objectives (including corporate philanthropy) with those of the market place can result in differentiation and market dominance (Bruch & Walter, 2005). Firms can realize significant gains by *making* philanthropy strategic and not merely an initiative for citizenship and CSR. Furthermore, there is evidence of a socially constructed relationship in that the customer can place requirements on the company who, in turn, must assess and react to allowing the perceptions to be accurate and real – thus another factor in the *value equation proposition*. Created through exogenous means, philanthropic initiatives drive the socioeconomics of the relationship. As stated in Monsen (1972), “The social responsibility of business is defined mostly by public expectations” (p.126). Gyves and O’Higgins (2008) offered a similar postulate, “Society in general and stakeholders in particular need to be considered when developing a strategy for the firm” (p. 204). Those firms who consistently and assiduously balance the needs of the customer with those of the organization will undoubtedly achieve strong customer loyalty and perception.

Moreover, “Firms already advance social welfare to the fullest extent possible, when they endeavor to maximize total firm value” (Gyves & O’Higgins, p. 208). This avowal adds validity to the philanthropic value equation proposition (PVEP) construct and is evidence of the importance of philanthropy in the firm’s value proposition. In support, Brammer and Millington (2005) reported the relationship between a corporation’s philanthropic initiatives and the stakeholder perception is synonymous with “cause and effect” (in scientific terms). Consumers who recognize the results of these initiatives are more willing to align themselves with the firms involved – furthering the value equation purpose.

Ethical considerations provide the manner in which ethics and privacy are addressed. Considered by many scholars to have fundamental bases in ethics and moral reasoning, philanthropy is omnipresent throughout many corporations (Friedman, 1970; Joyner and Payne, 2002; Velasquez, 2006). Ethics as defined by Velasquez (2006) correlate with corporate philanthropy in terms of ethics of care, communitarian, and justice. In these perspectives, philanthropy provides validation and proof of actions taken by the organization. It is in the execution of a corporate philanthropic initiative whereby the organization carries out its ethical mission.

SUMMARY

Based on the research studies published within this field of subject inquiry, there appears to be a research gap. This inquiry has continued applicability due to a keen interest to understand the dynamics between a firm’s socially responsible culture and how philanthropy can be a strategic weapon in the competitive market environment. It is assumed that all corporations do not view and utilize philanthropy validation and proof of actions taken by the organization. It is in the execution of a corporate philanthropic initiative whereby the organization carries out its ethical mission. In fact, the advancement of a PVEP creates the framework for studying the effects on cost, quality, function, and time. Within a business’ operation each of these “equation elements” contributes to the firm’s value proposition. In a future study, an assessment of how philanthropy can be best-suited to add influence on an organization’s marketing plans may add validity and credibility to this proposed theory.

Much attention has been paid to CSR, corporate financial performance, corporate reputation, and the intersections of ethics and consumer perceptions. The gap to address and theory to advance focuses on how a corporation can use philanthropic initiatives to validate, differentiate, and make distinctive their strategic marketing process. Corporate philanthropy in the eyes of this researcher has meaningful value to the organization in a raison d’être sense, provided there is an equilibrium existence of an ethical and economic business construct.

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