Scaling-up or crowding out? 
The relationship of CSR and Corporate Philanthropy

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1. The corporate value of doing good

Corporate Philanthropy in theory and practice

- **Corporate Philanthropy in theory**
  - Any voluntary action of corporate actors for a public purpose
  - Corporate giving, corporate volunteering, and corporate foundations
  - deficient conceptual framing (Gautier and Pache 2015)
  - “structurally incoherent discourse” (Spence and Thomson 2008)

- **Corporate Philanthropy in practice**
  - U.S.: evolution from a legally banned action to a widely expected, but still voluntary contribution to social action (Sharfman 1994)
  - CH: corporate donations (incl. foundations) estimated to up to 1 billion Swiss Francs

- **Corporate foundations**
  - Legally independent entities
  - Corporate foundations are both, civil society actors and CSR instrument
  - often linked to chairman’s or CEO’s office, not integrated to CSR unit
1. The corporate value of doing good

The relationship of CSR and Corporate Philanthropy

• Concepts of CSR show ambiguity on how philanthropy is integrated
  – CSR-Pyramid: philanthropic responsibility is desired → icing on the cake (Caroll 1979)
  – Triple Bottom Line (Elkington 1998): no space for voluntariness
  – Corporate philanthropy: “last in, first out” (Wood 1991)

• Drivers for CSR
  – Regulation, shared value (business case)
  – Sustainability as a new key component of CSR
  – Financial markets: sustainability ratings and ESG factors

• Drivers for Corporate Philanthropy
  – Community orientation (legitimacy), tax deduction, future orientation
  – Voluntary by nature
2. Analysis of the relationship of CSR and CP
Alignment, misalignment, non-alignment

- **Alignment theory**
  - Alignment is the congruence of “competitive situation, strategy, organisation culture and leadership style.” (Chorn 1991, p 20)

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<th>Alignment</th>
<th>Misalignment</th>
<th>Non-alignment</th>
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<td><strong>Alignment</strong></td>
<td>CP is related to core business</td>
<td>false or contradictory objectives</td>
<td>CSR and CP fulfill different objectives</td>
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<td>Matched with other CSR activities</td>
<td>Inconsistency in corporate social actions</td>
<td>CP not business related</td>
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<td><strong>Scaling-up effect</strong></td>
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<td><strong>Crowding-out effect</strong></td>
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3. Survey
Methodology and Sampling

- **Operationalization of CSR**
  - Sustainability ratings of U.S. companies by Sustainalytics and Inrate
  - Selection of companies with high and low level ratings
  - 160 companies (83 high; 77 low)

- **Operationalization of CP**
  - Search for corresponding corporate foundations
  - «Trend tracker» by Foundation Center and Google
  - 96 companies had a foundation
  - 73 foundations with relevant data from 2004 to 2011

- **Controll variables**
  - Corporate profits of the year before
  - Industries based on data by Inrate
3. Survey

Methodology and Sampling
4. Results
Findings from the empirical study

• General findings
  – average corporate profits increase from 2004 to 2011 by 38 percent.
  – The average foundation spending grew – except for 2009 – every year from 2004 until 2011 from USD 5 million up to more than USD 8.5 million.
  – In tendency, foundations of the more sustainable companies donate more

• Findings from OLS regression
  – Explaining the influence of sustainability rating, corporate profits, and industry affiliation on corporate foundation spending
  – Main influence: corporate profits of the preceding year
  – No influence: sustainability rating
  – However, sustainability has a positive influence on foundation spending
  – Industries with highest influence: health care, consumer discretionary goods
5. Discussion
Findings from the empirical study

• Alignment of CSR and CP
  – Neither scaling-up nor crowding-out effect were found
  – Both activities develop positively within the past years, but related to external effects

• Effectiveness of corporate philanthropy
  – If corporate philanthropy is dominated by social aims, business connectivity is less relevant
  – Effectiveness can only be proved if social outcomes are measured

• Contents of corporate philanthropy
  – CSR and corporate philanthropy may overlap, but cover different areas
  – CP deals less with sustainability, but more with community engagement, arts, education, or development aid
  – Challenge: more independence creates risk of evolution to misalignment
Thank you for your attention!

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