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Revisiting the Relationship of CSR and Corporate Philanthropy by Using Alignment Theory

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Abstract

Both, CSR and corporate philanthropy are expressions of the interferences between the company and its societal environment. However, the question of the relationship between CSR and corporate philanthropy remains unclear. We apply alignment theory to shed light on the interdependencies of CSR and corporate philanthropy. The relationship may be based on alignment, misalignment, or non-alignment. Our research is based on an empiric analysis of the sustainability rating of U.S. companies and its influence on the related corporate foundation expenditures. Our main finding is that there is no clear relationship between sustainability rating and the annual expenditures of the corporate foundation. Hence, we call for further studies on the exclusive role of corporate philanthropy. While corporate social responsibility is closely related to the core business, corporate philanthropy is voluntary by nature.

Keywords: Corporate Foundations, Alignment Theory, Corporate Social Responsibility, Corporate Philanthropy, Sustainability

JEL-Classification: A13, L 31, M14

Abstract

Sowohl Corporate Social Responsibility (CSR) als auch Corporate Philanthropy sind ein Ausdruck des Verhältnisses eines Unternehmens und dem gesellschaftlichen Umfeld. Jedoch bleibt die Beziehung zwischen beiden Konzepten unklar. Mit Hilfe der Alignment Theorie untersuchen wir deren Zusammenhänge. Gemäss dieser Theorie lassen sich die drei Konfigurationen Ausrichtung, Fehlausrichtung und Nicht-Ausrichtung unterscheiden. Die Untersuchung beruht auf einer empirischen Analyse der Nachhaltigkeitsratings amerikanischer Unternehmen und der Ausschüttungen ihrer jeweiligen Firmenstiftungen. Als Hauptergebnis zeigen wir auf, das CSR kaum Einfluss auf Corporate Philanthropy hat, was für eine Nicht-Ausrichtung spricht. Dieser Befund erfordert weitere Untersuchungen zur spezifischen Rolle der Corporate Philanthropy. Während CSR nah am Kerngeschäft des Unternehmens ausgerichtet ist, beruht Corporate Philanthropy auf Freiwilligkeit.

Stichwörter: Firmenstiftungen, Alignment Theory, Corporate Social Responsibility, Corporate Philanthropy, Nachhaltigkeit

JEL-Klassifikation: A13, L 31, M14

1. Introduction

The social dimension of corporate behaviour is gaining increasing attendance in both, research and practice (Carroll and Shabana 2010). Especially, since financial market analysts have started to implement ecological, social, and governance criteria (ESG-factors) in their evaluations, companies assign higher value to corporate social responsibility (CSR). Today, companies have to address the interests and expectations of many stakeholders. Especially, they face the demands of advocacy and lobbying groups in social, environmental, and political issues. As a consequence, CSR is a required asset of all kinds of companies, from small ones to big global players (Leisinger 2007).

Although the body of literature on CSR is growing, the boundaries of the concept as well as the precise definition of its content remain unclear. Most distinctively is the way, how philanthropy, e.g. giving and volunteering for a social purpose, is dealt with. In general, philanthropy is defined as voluntary private action for a charitable purpose (Patton and Moody 2008). It contains all sorts of giving (time, money, in kind) and is usually originating from private individuals. However, companies may also be the source of philanthropic action. In Switzerland, the annual amount of corporate donations (direct and through foundations) is estimated to a sum of 1 billion Swiss francs. In comparison, private giving by individuals is estimated to 1.6 billion Swiss francs and foundation expenditures to an annual total of 1.5-2 billion Swiss francs (von Schnurbein and Bethmann 2010). Hence, corporate donations count for about a quarter to one third of private giving in Switzerland. Additionally, corporate volunteering has gained increased attendance and lead to effective collaborations between companies and nonprofits (Wehner and Gentile 2012). Anecdotal evidence suggests that companies handle CSR differently than corporate philanthropy. While CSR desks are often included in the marketing units, corporate foundations are usually linked to the CEO's or chairman's office, whereas corporate volunteering is a task of the human resource unit. However, in the annual reports, corporate giving and foundation expenditure can be found in the CSR chapter.

In literature, we find a strong ambiguity on the connection of CSR and corporate philanthropy. Both, CSR and corporate philanthropy are expressions of the interferences between the company and its societal environment (von Schnurbein et al. 2015). However, the question of the interdependencies between CSR and corporate philanthropy remains unclear. In their recent literature review on corporate philanthropy, Gautier and Pache (2015) emphasize the deficient conceptual framing of corporate philanthropy. Only few definitions exist and the boundaries of corporate philanthropy remain unclear. While sometimes included into CSR, corporate philanthropy may as well be excluded based on the argument, that CSR is not desired but at least expected (Schwartz and Carroll 2003). While CSR has developed into a means for distinction in business competition, corporate philanthropy remains a contested concept, challenged equally by business liberal and social democratic exponents. The latter delimit the distinction of CSR and corporate philanthropy along the competing goals that arise when profit driven companies aim for solving social issues (Aakhus and Bdzak 2012).

The former emphasize the limited corporate benefit of corporate philanthropy and stipulate a better alignment to the core corporate activities (Porter and Kramer 2002).

Our contribution to this debate is an empirical based study on the influence of CSR on corporate philanthropy, operationalized as the influence of sustainability rating on corporate foundation expenditure. The argument of the paper can be summarized as follows: First, we analyse the literature on CSR regarding the conceptualization of corporate philanthropy. We find arguments for different patterns of strategic fit, alignment, misalignment and non-alignment of CSR and corporate philanthropy. Next, we differentiate drivers for CSR and corporate philanthropy. Especially, we contend that CSR tends to become even more regulated whereas corporate philanthropy is voluntary by nature. In the following, we focus on corporate foundations as institutionalized form of corporate philanthropy. In contrast to giving or volunteering, a corporate foundation is more strategic by nature as it requires a long-term commitment and the disposal of a funding capital by the parent company. The operationalization of CSR is based on two independent sustainability ratings of US companies. Today, sustainability is one of the most important criteria of CSR ratings in financial reporting. Our empirical model demonstrates that CSR and corporate philanthropy are congruent in their development, but there is no significant influence of CSR on corporate philanthropy. Based on our conclusion that the relationship of CSR and corporate philanthropy can be described as non-alignment we develop implications for further research.

2. Literature Review

The concept of CSR

Most generally, CSR can be understood as a requirement for companies to make additional contributions to the well-being of society (van Marrewijk 2003). However, the overview of Dahlsrud (2008) accentuates the broad variety of definitions of CSR. Based on a sample of 37 definitions, he develops a set of five dimensions that are most likely included: environmental, social, economic, stakeholder, and voluntariness dimension. He points out that the environmental dimension was not included in the beginning but has gained growing relevance in recent years. Referring to the concept of sustainability, CSR has emerged into a broader definition (von Schnurbein et al. 2015). Today, sustainability has turned into a core content of CSR. The other dimensions show a 50% probability to be included in a random definition. Comparable to Dahlsrud (2008), Fox (2005) names four distinct areas of CSR: environment (e.g. waste reduction, emission compensation), employment (e.g. lean hierarchies, employment of old or disabled people), supply chain (e.g. implementation of CSR standards at suppliers in developing countries), and community building (e.g. support for nonprofits through giving time and money). Garriga and Mélé (2003) distinguish four groups of CSR theories: instrumental, political, integrated, and ethical theories. The instrumental theories emphasize the economic aspect of CSR, following Milton Friedman's line of argumentation that businesses' only social responsibility is to create profits (Kotler and Lee 2005). The political theories explain the influence of corporations on the public policy pro-

cess. One specific case is the political responsibility of transnational corporations (Scherer and Palazzo 2011). With integrated approaches, Garriga and Mélé (2003) imply that companies should integrate social demands in their daily business conduct, e.g. issue management. Finally, ethical theories consist of normative approaches to the question of “doing good” and the integration of the societal context. Most notably, the CSR pyramid by Carroll (1979) is a normative description of the concept of CSR, as well as the triple bottom line by Elkington (1998).

The evolution of CSR and the influences from different fields result in a rationalization of CSR by transferring the level of analysis from societal to organizational level (Min-Dong 2008). In the course of this development, the ethical orientation has been made more implicit than explicit and CSR has been enriched with a strategic component. Several studies emphasize the advantages of a more strategic and business-related CSR (Jamali 2007, Sirsly and Lamertz 2007, Porter and Kramer 2002). Husted and Allen (2000, p. 27) argue that “effective social strategy enables competitive success that in turn enables social action.”

In conclusion we state that the conceptualization of CSR is multi-facet and has changed over time. Most notably, the increasing importance of sustainability has changed the contents of the concept. However, the relation to the core business of the company has never been questioned. Instead, it has increased over time.

The exclusion of desire in CSR

As mentioned before, Carroll (1979) developed a pyramid of corporate social responsibility with four stages, legal, economic, ethical, and philanthropic responsibility. While the legal and economic dimensions are required, the ethical dimension is expected and the philanthropic dimension is desired. Ever since then, the perception of corporate philanthropy remained on the edge. When looking at the developments in the U.S. of the last 50 years, corporate philanthropy has turned from a legally banned action to a widely expected, but still voluntary contribution to social action (Sharfman 1994). Depending on the underlying theory or ideology, it is integrated or excluded from CSR. When investigating corporate disclosures on philanthropy, Spence and Thomson (2008) found that corporate philanthropy is best described as a “structurally incoherent discourse” (p. 372). Campbell and Slack (2007) draw a comparable conclusion and von Schnurbein et al. (2015) discuss four foundations of corporate philanthropy: economic, moral, creative, and motivational. Gautier and Pache (2015) offer a brief oversight to different definitions of corporate philanthropy. In early definitions, corporate philanthropy is nothing more than a monetary transfer with tax deduction (Johnson 1966). Later, voluntariness gets into the focus, but still related to the use of corporate resources (Stroup and Neubert 1987). Nowadays, corporate philanthropy is “a discretionary manifestation of CSR that differs in kind (not merely in degree) from the obligatory conformance with economic, legal, or moral/ethical dimensions of CSR” (Godfrey 2005, p. 778). Wood describes the characteristic of corporate philanthropy within CSR as “last in, first out” (1991, p. 698). Build on the influence of Carrolls’ early distinction, the demarcation between corporate philanthropy and the other corporate responsibilities runs along the distinction of obligation and voluntariness. While Godfrey termed non-reciprocity to be the “acid test” of

corporate philanthropy (2005, p. 778), Porter and Kramer hold that “the acid test of good corporate philanthropy is whether the desired social change is so beneficial to the company that the organization would pursue the change even if no one ever knew about it.” (2002, p. 67).

In the following we use strategic alignment theory to describe the relationship between CSR and corporate philanthropy in a comprehensive way. Alignment is basically understood as the congruence of “competitive situation, strategy, organisation culture and leadership style” (Chorn 1991, p 20). The concept is frequently used in management literature, e.g. for strategic analysis (Birkinshaw 2011, Kaplan and Norton 2008), reputation management (Dowling & Moran 2012), supply chain alignment (Wong et al. 2012), and CSR (den Hond et al. 2013). Alignment may refer to internal and external fit, fit of concepts, or fit of tasks on one objective.

The relationship between CSR and corporate philanthropy can be described by three different configurations: alignment, misalignment and non-alignment of CSR and corporate philanthropy. In case of alignment, corporate philanthropy activities are targeting the identical objectives as CSR. Hence, corporate philanthropy is closely related to core business activities (Porter and Kramer 2002) and matched with other CSR tasks such as cause-related marketing (Kotler and Lee 2005). In an inverse perspective, corporate philanthropy is identical with CSR and the only society-oriented activity of a corporation (Sharma and Mehta 2012). In the aligned configuration, business and societal aims have to be aligned in order to develop a clear strategy for corporate philanthropy. Aakhus and Bzdak (2012) criticize that in these cases business aims often overrule societal aims. The configuration of misalignment is a result of false or contradictory objectives. Misalignment of CSR and corporate philanthropy might occur in cases of “greenwashing” or “bluewashing”, when companies mislead stakeholders about their ecological and social performance (Heidbrink and Seele 2007). Another reason might be a special form of organizational hypocrisy, where the company’s talk, actions, and decisions are inconsistent around the relevant issues (den Hond et al. 2013). A company’s philanthropic actions may be dominated by a CEO’s personal interests whereas the CSR activities are related to the core business. In another situation, the work of a corporate foundation integrates many stakeholders, while CSR is a pure marketing tool. Additionally, corporate social irresponsibility (CSI) in form of scandals or fraud may contradict the philanthropic action (Lin-Hi and Müller 2013). Finally, non-alignment defines CSR and corporate philanthropy as distinct activities that pursue different objectives. Von Schnurbein et al. (2015) show that exclusion of corporate philanthropy may lead to an exclusive approach of corporate philanthropy and serve as a countermeasure against the increasing CSR regulation. A non-alignment does not imply bad or worse performances in both, CSR and corporate philanthropy. A company can implement best practice CSR and at the same time work as highly accepted philanthropic actor in arts and culture, for example.

Following the argument of Aakhus and Bzdak (2012) we question the definition of corporate philanthropy as a CSR instrument. By applying the alignment theory we aim to develop a

more differentiated understanding of corporate philanthropy and its relationship to CSR. Further arguments for a distinct perception are discussed in the following section.

Drivers for CSR and corporate philanthropy

While misalignment is always inferior to alignment, non-alignment may be an adequate alternative. As companies face divergent and conflicting expectations from their stakeholders (Pache and Santos 2010), both concepts may be used to address different expectations. Hence, the strategies for CSR and corporate philanthropy may not respond to the same social expectations. Given the analogy of CSR and corporate philanthropy that both concepts go beyond the economic profit-maximizing responsibility of corporations, the drivers for their implementation vary.

As mentioned before, the constituent parts of CSR have changed over time. CSR used to be closely related to philanthropy and had no connection to ecological aspects (Sharma and Mehta 2012). Nowadays, sustainability is a key component of CSR – sometimes referred to corporate ecological responsibility or corporate sustainability (Montiel 2008) – with an emphasis on ecological issues (Schaltegger 2011). Hence, a major driver for CSR today is the compliance with ecological expectations. In other words, CSR is the management approach to implement the normative concept of sustainability in a company (Steurer et al. 2005). Another driver of CSR are regulations on national or international levels. Governments, supranational institutions, and umbrella organization have developed regulations and guidelines that define expectations towards the implementation of CSR. Several guidelines have been developed to clarify international standards CSR: the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, the ISO 26000 Guidance Standard on Social Responsibility, and the ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy. In 2011, the EU Commission has revised its definition of CSR. Instead of defining CSR as a concept “whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (EU Commission 2001, p 6), the new formulation is more rigid: CSR is “the responsibility of enterprises for their impacts on society”(EU Commission 2011, p 6). As a reason, the EU Commission states: “Certain regulatory measures create an environment more conducive to enterprises voluntarily meeting their social responsibility.” (EU Commission 2011, p 3). Following these recommendations, national law begins to implement CSR, moving it from voluntariness to obligation (Thirarungrueang 2013). Additionally, the implementation of CSR is forced by the financial markets. Further to the increase of socially responsible investing (SRI), companies strive for improved CSR-Ratings. For example, exclusion strategies as the simplest way of SRI cover about 23% (4 trillion Euros) of the European total professionally managed assets (Eurosif 2014). CSR and sustainability ratings have gained importance as orientation for private and institutional investors. Hence, the increasing regulation of CSR influences decision making on corporate level and installs CSR as a “must have” (Singh et al. 2012). Finally, market performance is another driver for CSR. Several studies report a positive correlation between CSR activities and market performance (Carroll and Shabana 2010; Foote et al. 2010; Schaltegger 2011; Steger et al. 2007). Howev-

er, the relationship is questioned by other authors that claim a negative connection of financial and CSR performance (Schreck 2011).

The drivers for corporate philanthropy stem from different angles. From a philosophical perspective, the commitment to philanthropy is contested. Emerging from Kant's appraisal of philanthropy as an *imperfect duty*, some authors do not classify philanthropy as a duty at all (L'Etang 1994). As stated before, the philanthropic level of CSR is less relevant as the ethical level (Carroll and Shabana 2010). Hence, the components of corporate philanthropy tend towards a different direction. Sustainability and environmental issues are of minor importance (Brown et al. 2006). Instead, creativity and future orientation have more room for development (Srinivasan 2010). Leisinger (2007) argues that corporate philanthropy is downstream to CSR. Only if negative externalities of the core business are eliminated through CSR, corporate philanthropy can be executed. However, in that case there is no connection to the core business necessary and social aims are prioritized over profit aims. Another driver of corporate philanthropy is reputation and legitimacy – more than in the case of CSR. Corporate philanthropy integrates the company into the local community and content areas of social engagement that are not consequently connected to the core business, such as culture and arts, education, international aid (Gautier and Pache 2015). Another driver are the tax legal advantages of philanthropy. In most countries, donations to charitable purposes are tax deductible and, thus, give corporations an incentive to donate. Most importantly, corporate philanthropy is voluntary by nature. Stemming from the definition of philanthropy as any private voluntary action for a public purpose (von Schnurbein 2009), the voluntariness is essential to philanthropy. Thus, corporate giving and volunteering is a stronger expression of corporate citizenship than any CSR activity based on profit-oriented or regulated assumptions.

In our literature review, we find support for a distinct understanding of CSR and corporate philanthropy, highlighting the differences concerning their definitions, their relationship, and their drivers. We emphasized that CSR has become regulated, whereas corporate philanthropy remains voluntary. In the following empirical investigation we use alignment theory to test, if this development impacts the relationship of the two concepts.

Research hypotheses

In this section, we consolidate the previous findings from the literature into three hypotheses for the empirical study. We consider the three configurations of alignment, misalignment, and nonalignment as strategic alternatives. Due to the fact that both, CSR and corporate philanthropy are social constructions that are evaluated depending on the point of view of different stakeholders, we assume that these configurations may rather emerge than develop based on a predefined strategic plan (den Hond et al. 2013).

The major argument for the alignment of CSR and corporate philanthropy is the shared value, e.g. the creation of a win-win-situation for business and society (Porter and Kramer 2002). Hence, corporate philanthropy strengthens the general CSR activities and serves for a higher value creation of the company. Plewa et al. (2015) show based on an empirical re-

search that corporate volunteering has a positive influence on the clients' perception of CSR. In that sense, corporate philanthropy has the potential to create reputation and goodwill for the company (Murray and Montarini 1986). Several strategic management studies have shown that alignment of strategies has a positive influence on business performance (Cao et al. 2012). If corporate philanthropy is aligned to CSR, we expect that companies with an interest in CSR activities are more likely to perform corporate philanthropy. Hence, a better CSR would scale up corporate philanthropy. We formulate as hypothesis 1:

H1: Corporate philanthropy expenditure increases with a higher CSR rating.

Misalignment of CSR and corporate philanthropy may result out of different reasons. If corporate philanthropy is heavily based on altruistic reasons or individual identification, it may lose connection to the increasingly regulated CSR (Dennis et al. 2009). Institutional actors, such as governments, umbrella organizations, or even social norms create differences in CSR that might not affect corporate philanthropy (Matten and Moon 2008). Another separating effect is corporate social irresponsibility (CSI), defined as "corporate actions that result in (potential) disadvantages and/or harm to other actors" (Lin-Hi and Müller 2013, p 1932). CSI might be intentional or unintentional, stemming from different influences internally and externally. In preceding this idea, companies may focus more on "avoiding bad" instead of "doing good". As Sen and Bhattacharya (2001) show, consumers are more sensitive to negative CSR information than positive CSR information. By reacting on either regulation or external pressure to avoiding bad, a company may show an overjustification effect by increasing CSR while reducing philanthropic efforts. An overjustification effect is usually observed among individuals when an extrinsic incentive decreases the intrinsic motivation of the person (Snelders and Lea 1996). Thus, we formulate hypothesis 2:

H2: Corporate philanthropy expenditure decreases with a higher CSR rating.

In the literature on the relationship of CSR and corporate philanthropy we find a lot of normative arguments for the alignment of the two concepts. However, studies with empirical prove remain rare (Plewa et al. 2015; Gautier and Pache 2015). Despite the theoretical connection of CSR and corporate philanthropy (Carroll 1991), the two concepts are treated differently in practice – even in terms of organizational integration, as stated before. Several authors highlight that the philanthropic responsibility is less connected to core business and more discretionary than other corporate responsibilities (Collins 1993). Campbell and Slack (2007) highlight based on two samples of U.K. companies that only few companies have a consistent strategic approach to philanthropy. Another reason for non-alignment is the different outcomes of CSR and corporate philanthropy. Whereas the positive influence of CSR on firm performance has been found in several studies, the findings for the positive influence of corporate philanthropy on firm performance are less clear (Gautier and Pache 2015). These arguments lead to the following hypothesis 3:

H3: *Corporate philanthropy expenditures are not related to the CSR rating.*

The three hypotheses picture alternative solutions of the relationship of CSR and corporate philanthropy. Hence, our model will only justify one hypothesis without neglecting that the other two solutions might be reasonable in other operationalization.

3. Data Sampling and Methodology

In order to operationalize CSR and corporate philanthropy we focused on two specific patterns: sustainability ratings and corporate foundation expenditure. We used sustainability as measure for CSR, because it has gained increasing attention in research and practice, and the evaluation of sustainability is highly developed. Sustainability ratings are a means for investors to implement a socially responsible investment strategy. We rely on sustainability ratings of Inrate, an independent rating agency, and a public source database of the Frankfurt exchange, based on data by Sustainalytics. Inrate evaluates single companies based on industry-specific criteria and general criteria on ecological, social, and ethical aspects (Schäfer et al. 2006). The rating of Sustainalytics is based on ESG-factors, and also divided into industries and issues. An important difference between the two ratings concerns corporate philanthropy. Aside from single exceptions, Inrate does not cover philanthropic engagement, whereas Sustainalytics includes philanthropic giving. We received data of 469 U.S.-companies from both agencies for the year 2013. Hence, an analysis based on panel data is not possible. However, historic data shows that sustainability rankings remain relatively stable over time (Stühlinger 2014). The correlation between the two ratings in our sample is an acceptable positive value of 0.347 ($p < 0.01$). In order to get more robust data we selected a smaller sample based on a minimum principle. For selection, companies have to be below/above of a minimal/maximal threshold value in both ratings. The result was a sample of 160 companies, of which 83 have a high sustainability rating and 77 have a low sustainability rating. The results were afterwards coded with 1= high and 0=low.

For the operationalization of corporate philanthropy we chose corporate foundation expenditures, because information on corporate volunteering and corporate giving is incomplete and varies in terms of assessment and reporting. Additionally, the donations of foundations have to be disclosed in the U.S. We used Google and "Trend tracker", the public database of the Foundation Center, to search for foundations of the sample companies. 96 companies had a foundation and in 78 cases the relevant data for the years 2004 to 2011 was available. In four cases, two foundations were found and in the following added as one foundation for each company. The final sample consisted of $n=73$. Missing values were replaced using interpolation. We used t-tests and Pearson chi square statistics to test for independence.

Finally, we conducted data for the control variables for the years 2004 to 2011. As corporate foundations mostly have only small own stock of assets, but receive annual contributions by the parent company, we chose corporate profit of the previous year as a control variable (Dennis et al. 2009). The second control variable is industries, derived from the dataset of Inrate. In the sample, seven industries were represented (see table 1).

Table 1: Industries represented in the sample (n=73)

| no. | sector | frequencies |
|------------|----------------------------------|--------------------|
| 1 | consumer staples | 10 |
| 2 | consumer discretionary sector | 10 |
| 3 | energy, materials, and utilities | 9 |
| 4 | financials | 11 |
| 5 | health care | 9 |
| 6 | industrials | 11 |
| 7 | information technologies | 13 |

As methods of analysis we choose linear and pooled OLS multiple regression analyses with the annual foundation expenditures as dependent variable and sustainability, corporate profits of the previous year, and industries as independent variables. With linear OLS regression we analyse the change over time in the selected period. Additionally, we executed a random-effects-model based on pooled OLS regression using the panel data. In order to test for specific annual effects (e.g. subprime crisis), we included the years as dummy variables. The interdependences of sustainability and time were tested with an interactions term.

4. Results

First of all, we looked at the state of corporate foundations in general. The t-tests proved a positive significant correlation of the existence of a foundation and the sustainability rating. (chi square=21.034, $p < 0.001$, phi=0.363, $p < 0.001$). Hence, more sustainable companies are more likely to have a corporate foundation. As a next step, we analysed the corporate profits and the foundation expenditures. The average corporate profits increase from 2004 to 2011 by 38 percent. In 2008, there is a decrease of profits as consequence of the subprime crisis, but in 2010, profits have already reached the level of 2007. 2011, the profits decreased slightly, again. The average foundation expenditures grew – except for 2009 – every year from 2004 until 2011 from USD 5 million up to more than USD 8.5 million. In total, there was an increase of nearly 70 percent.

In general, corporate foundations of the more sustainable companies donate more than their counterparts with less sustainable parent company. However, t-tests show no significant difference as both subsample have a steady increase (table 2).

Table 2: Comparison of corporate foundation expenditures per year in USD (n=73)

| | Companies with high sustainability rating (n=52) | | Companies with low sustainability rating (n=21) | | t-Test | difference mean |
|-------------|--|------------|---|------------|--------|-----------------|
| | mean | SD | mean | SD | | |
| 2004 | 5'731'855 | 7'903'723 | 3'266'461 | 3'831'756 | 1.36 | 2'465'394 |
| 2005 | 6'493'474 | 10'077'815 | 4'340'706 | 5'575'914 | 0.92 | 2'152'768 |
| 2006 | 6'746'705 | 9'501'877 | 4'037'213 | 6'277'635 | 1.20 | 2'709'492 |
| 2007 | 7'632'443 | 10'605'651 | 5'265'912 | 8'590'983 | 0.91 | 2'366'531 |
| 2008 | 8'397'874 | 10'791'564 | 5'247'623 | 8'646'788 | 1.19 | 3'150'251 |
| 2009 | 8'463'213 | 11'336'848 | 4'621'547 | 7'276'525 | 1.44 | 3'841'666 |
| 2010 | 8'841'255 | 11'954'535 | 5'026'515 | 8'421'609 | 1.33 | 3'814'740 |
| 2011 | 9'612'492 | 13'718'383 | 5'793'237 | 10'696'319 | 1.14 | 3'819'255 |

significance levels: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

The linear OLS regression was conducted with all variables (model 1) and with all variables except the independent variable "sustainability" (model 2). The IT-industry was used as reference value for all other industries. Both models were significant except for 2005. For 2009, both models could not be calculated due to multi-collinearity. Table 3 shows the results of the two regression models. The β -value does not differ extremely between both models. Hence, sustainability does not add much to the explanation of the models. Nevertheless, sustainability has a positive influence on foundation expenditures (not significant for all years). However, company profits have a positive significant influence for most years. All industry sectors have a positive influence compared to the reference value of the IT-sector. However, corporations in one sector are more likely to have higher foundation expenditures than those in other sectors. Especially, the health care sector, the consumer discretionary sector, and the industrials sectors show a positive significant influence.

Table 3: Results of the linear regression model

| Model | Independent variables | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------|----------------------------------|---|---|---|---|---|--|--|
| 1 | constant | -4.22e ⁶ (2.66e ⁶) | -4.21e ⁶ (2.68e ⁶) | -3.40e ⁶ (3.32e ⁶) | -4.41e ⁶ (2.82e ⁶) | 1.08e ⁶ (3.18e ⁶) | -2.46e ⁶ (3.14e ⁶) | -2.20e ⁶ (3.72e ⁶) |
| | sustainability | 3.49e ⁶ (1.96e ⁶) | 3.63e ⁶ (2.01e ⁶) | 3.60e ⁶ (2.63e ⁶) | 3.45e ⁶ (2.40e ⁶) | 2.74e ⁶ (2.76e ⁶) | 2.06e ⁶ (2.66e ⁶) | 3.55e ⁶ (3.47e ⁶) |
| | revenue in 1'000 | 1.52 (7.94e ⁻¹) | 1.31 (7.71e ⁻¹) | 8.33e ⁻¹ (5.96e ⁻¹) | 1.49 (5.94e ⁻¹)* | 1.24e ⁻¹ (1.09e ⁻¹) | 1.54 (3.44e ⁻¹)*** | 1.00 (4.41e ⁻¹)* |
| | consumer staples | 3.54e ⁶ (1.56e ⁶)* | 4.76e ⁶ (1.53e ⁶)** | 5.03e ⁶ (1.69e ⁶)** | 7.18e ⁶ (2.72e ⁶)* | 5.36e ⁶ (2.75e ⁶) | 6.98e ⁶ (2.83e ⁶)* | 5.97e ⁶ (2.61e ⁶)* |
| | consumer discretionary sector | 6.06e ⁶ (2.28e ⁶)** | 5.91e ⁶ (2.30e ⁶)* | 7.46e ⁶ (3.83e ⁶) | 7.43e ⁶ (3.63e ⁶)* | 4.54e ⁶ (4.20e ⁶) | 8.42e ⁶ (5.60e ⁶) | 9.95e ⁶ (7.49e ⁶) |
| | energy, materials, and utilities | 5.22e ⁶ (2.28e ⁶)* | 4.61e ⁶ (2.07e ⁶)* | 4.53e ⁶ (2.44e ⁶) | 5.28e ⁶ (2.40e ⁶)* | 1.63e ⁶ (2.84e ⁶) | 4.53e ⁶ (2.75e ⁶) | 3.99e ⁶ (2.95e ⁶) |
| | financials | 2.10e ⁶ (1.79e ⁶) | 1.52e ⁶ (1.90e ⁶) | 1.81e ⁶ (2.12e ⁶) | 1.62e ⁶ (2.57e ⁶) | 2.17e ⁶ (2.41e ⁶) | 3.73e ⁶ (2.61e ⁶) | 3.30e ⁵ (2.89e ⁶) |
| | health care | 1.15e ⁷ (4.53e ⁶)* | 1.18e ⁷ (4.04e ⁶)** | 1.40e ⁷ (5.02e ⁶)** | 1.29e ⁷ (4.08e ⁶)** | 1.32e ⁷ (6.07e ⁶)* | 1.05e ⁷ (4.00e ⁶)* | 1.11e ⁷ (4.68e ⁶)* |
| | industrials | 6.48e ⁶ (2.05e ⁶)** | 7.03e ⁶ (2.19e ⁶)** | 9.71e ⁶ (2.89e ⁶)** | 7.61e ⁶ (2.73e ⁶)** | 4.72e ⁶ (3.1463e ⁶) | 7.02e ⁶ (3.06e ⁶)* | 8.28e ⁶ (3.86e ⁶)* |
| | F-Statistics | 2.061 (0.053) | 2.858 (0.009)** | 2.857 (0.009)** | 2.879 (0.008)** | N/A | 3.640 (0.002)** | 2.581 (0.017)* |
| R squared cor. | 0.345 | 0.330 | 0.213 | 0.295 | 0.091 | 0.235 | 0.108 | |
| 5 | Constant | -6.86e ⁵ (1.89e ⁶) | -5.11e ⁵ (1.94e ⁶) | 3.11e ⁵ (1.91e ⁶) | -9.04e ⁵ (2.27e ⁶) | 3.76e ⁶ (1.60e ⁶)* | -4.91e ⁵ (1.76e ⁶) | 1.39e ⁶ (2.30e ⁶) |
| | revenue in 1'000 | 1.50 (8.29e ⁻¹) | 1.28 (8.06e ⁻¹) | 7.94e ⁻¹ (6.14e ⁻¹) | 1.47 (6.24e ⁻¹)* | 1.38e ⁻¹ (1.07e ⁻¹) | 1.57 (3.50e ⁻¹)*** | 9.91e ⁻¹ (4.68e ⁻¹)* |
| | consumer staples | 3.53e ⁶ (1.56e ⁶)* | 4.74e ⁶ (1.53e ⁶)** | 4.98e ⁶ (1.69e ⁶)** | 7.15e ⁶ (2.74e ⁶)* | 5.39e ⁶ (2.75e ⁶) | 7.02e ⁶ (2.85e ⁶)* | 5.95e ⁶ (2.63e ⁶)* |
| | consumer discretionary sector | 5.00e ⁶ (2.19e ⁶)* | 4.79e ⁶ (2.23e ⁶)* | 6.30e ⁶ (3.60e ⁶) | 6.36e ⁶ (3.53e ⁶) | 3.76e ⁶ (3.96e ⁶) | 7.85e ⁶ (5.30e ⁶) | 8.86e ⁶ (7.08e ⁶) |
| | energy, materials, and utilities | 2.87e ⁶ (1.84e ⁶) | 2.16e ⁶ (1.54e ⁶) | 2.08e ⁶ (1.55e ⁶) | 2.95e ⁶ (2.12e ⁶) | -1.68e ⁵ (2.10e ⁶) | 3.22e ⁶ (2.23e ⁶) | 1.59e ⁶ (2.21e ⁶) |
| | financials | 2.18e ⁵ (2.01e ⁶) | -4.26e ⁵ (2.05e ⁶) | -1.03e ⁵ (1.92e ⁶) | -2.56e ⁵ (2.72e ⁶) | 8.35e ⁵ (1.97e ⁶) | 2.67e ⁶ (2.31e ⁶) | -1.61e ⁶ (2.71e ⁶) |
| | health care | 1.08e ⁷ (4.52e ⁶)* | 1.10e ⁷ (4.07e ⁶)** | 1.32e ⁷ (5.09e ⁶)* | 1.21e ⁷ (4.13e ⁶)** | 1.26e ⁷ (6.11e ⁶)* | 1.00e ⁷ (3.97e ⁶)* | 1.03e ⁷ (4.71e ⁶)* |
| | industrials | 5.20e ⁶ (1.97e ⁶)* | 5.70e ⁶ (2.17e ⁶)* | 8.37e ⁶ (2.96e ⁶)** | 6.34e ⁶ (2.89e ⁶)* | 3.74e ⁶ (3.21e ⁶) | 6.32e ⁶ (3.28e ⁶) | 6.97e ⁶ (4.26e ⁶) |
| | F-Statistics | 2.064 (0.060) | 2.919 (0.010)* | 2.914 (0.010)* | 2.797 (0.013)* | N/A | 4.064 (0.001)*** | 2.843 (0.012)* |
| | R squared cor. | 0.330 | 0.312 | 0.204 | 0.287 | 0.093 | 0.241 | 0.109 |

Independent variable: foundation expenditure in US-Dollar, significance levels: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1



Table 4: Results of the pooled regression model

| n=536 | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 |
|----------------------------------|--|--|--|--|--|
| constant | -1.60e ⁶ (1.56e ⁶) | -1.52e ⁶ (1.66e ⁶) | -1.12e ⁶ (1.66e ⁶) | 7.21e ⁵ (1.17e ⁶) | 2.42e ⁵ (1.03e ⁶) |
| sustainability | 1.92e ⁶ (1.01e ⁶) | 2.50e ⁶ (1.13e ⁶)* | 1.93e ⁶ (1.01e ⁶) | | |
| revenue in 1000 | 9.54e ⁻¹ (3.80e ⁻¹)* | 9.27e ⁻¹ (3.88e ⁻¹)* | 9.30e ⁻¹ (3.87e ⁻¹)* | 9.65e ⁻¹ (4.05e ⁻¹)* | 9.88e ⁻¹ (3.99e ⁻¹)* |
| consumer staples | 5.53e ⁶ (1.84e ⁶)** | 5.52e ⁶ (1.83e ⁶)** | 5.52e ⁶ (1.84e ⁶)** | 5.54e ⁶ (1.85e ⁶)** | 5.55e ⁶ (1.85e ⁶)** |
| consumer discretionary sector | 3.11e ⁶ (1.09e ⁶)** | 3.09e ⁶ (1.08e ⁶)** | 3.09e ⁶ (1.08e ⁶)** | 2.48e ⁶ (1.04e ⁶)* | 2.50e ⁶ (1.05e ⁶)* |
| energy, materials, and utilities | 3.39e ⁶ (1.61e ⁶)* | 3.37e ⁶ (1.61e ⁶)* | 3.37e ⁶ (1.61e ⁶)* | 2.11e ⁶ (1.49e ⁶) | 2.13e ⁶ (1.49e ⁶) |
| financials | 3.10e ⁶ (1.35e ⁶)* | 3.09e ⁶ (1.34e ⁶)* | 3.09e ⁶ (1.34e ⁶)* | 2.15e ⁶ (1.22e ⁶) | 2.17e ⁶ (1.22e ⁶) |
| health care | 5.69e ⁶ (2.88e ⁶)* | 5.67e ⁶ (2.88e ⁶)* | 5.68e ⁶ (2.88e ⁶)* | 5.15e ⁶ (2.88e ⁶) | 5.16e ⁶ (2.87e ⁶) |
| industrials | 4.37e ⁶ (1.75e ⁶)* | 4.36e ⁶ (1.76e ⁶)* | 4.36e ⁶ (1.75e ⁶)* | 3.80e ⁶ (1.70e ⁶)* | 3.81e ⁶ (1.69e ⁶)* |
| 2004 | | -3.43e ⁵ (6.38e ⁵) | -1.12e ⁶ (4.61e ⁵)* | -1.09e ⁶ (4.71e ⁵)* | |
| 2005 | | -2.40e ⁵ (6.19e ⁵) | -1.01e ⁶ (4.47e ⁵)* | -9.92e ⁵ (4.52e ⁵)* | |
| 2006 | | -7.9e ⁵ (5.64e ⁵) | -1.02e ⁶ (3.78e ⁵)** | -1.01e ⁶ (3.82e ⁵)** | |
| 2007 | | 2.38e ⁵ (9.60e ⁵) | -4.86e ⁵ (4.54e ⁵) | -4.79e ⁵ (4.55e ⁵) | |
| 2008 | | 2.17e ⁵ (3.60e ⁵) | 1.50e ⁵ (4.22e ⁵) | 1.65e ⁵ (4.28e ⁵) | |
| 2009 | | 4.02e ⁵ (3.86e ⁵) | 8.95e ⁴ (3.03e ⁵) | 1.10e ⁵ (3.13e ⁵) | |
| 2010 | | 2.45e ⁵ (4.10e ⁵) | -1.24e ⁵ (2.37e ⁵) | -1.19e ⁵ (2.38e ⁵) | |
| sustainability x 2004 | | -1.09e ⁶ (7.73e ⁵) | | | |
| sustainability x 2005 | | -1.08e ⁶ (7.97e ⁵) | | | |
| sustainability x 2006 | | -3.21e ⁵ (7.28e ⁵) | | | |
| sustainability x 2007 | | -1.01e ⁶ (1.08e ⁶) | | | |
| sustainability x 2008 | | -9.52e ⁴ (6.68e ⁵) | | | |
| sustainability x 2009 | | -4.39e ⁵ (4.17e ⁵) | | | |
| sustainability x 2010 | | -5.16e ⁵ (4.95e ⁵) | | | |
| Chi-Quadrat | 19.027 (0.015)* | 69.436 (0.000)*** | 57.754 (0.000)*** | 56.185 (0.000)*** | 17.366 (0.015)* |
| R squared cor. | 0.227 | 0.231 | 0.233 | 0.220 | 0.208 |

Independent variable: foundation expenditure in US-Dollar, significance levels: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

For the pooled-OLS-regression the sample was reduced to $n=536$ (67 observed foundations) due to reasons of multi-collinearity (see table 4). For all calculated regression-models, sustainability had a positive, but not significant influence. Again, sustainability has only a low explanation factor for corporate foundation expenditures. Corporate profits have a high explanatory power and show a positive significant influence. Additionally, industry sectors have a positive significant influence, only the financial sector is not significant in models 4 and 5 (compared to the reference value of the IT-sector). The interaction effect of time and sustainability has no significant influence. However, the value is increasing over time which indicates a divergent development of foundation expenditures of sustainable and less sustainable companies.

5. Discussion

In this paper, we surveyed the question how CSR influences corporate philanthropy. Based on the literature review we developed a distinction of alignment, misalignment, and non-alignment in the relationship of the two concepts. All three configurations find support in the literature, depending on the point of view. Alignment follows the management perspective, highlighting the company's responsibility towards its shareholders and aiming at more effective and strategic giving by corporations (Porter and Kramer 2002). The misalignment configurations results from an overjustification effect on external expectations about CSR. Finally, the reason of non-alignment lies in the underlying logics of the two concepts.

With respect to the three hypotheses and the questions if CSR and corporate philanthropy are aligned, misaligned, or non-aligned, our data analysis offers justification for the third hypothesis. In both regression models, sustainability has only negligible influence on the dependent variable, e.g. corporate foundation expenditures. Neither the sustainability coefficient in the linear regression model, nor the interaction term in the random effects-model shows a significant influence. Other factors instead, such as corporate profits and industry belonging are of higher importance. Put into a larger picture, the increase of both, corporate foundations and corporate foundation expenditure in the last years is in line with the general growth of the foundation sector (Foundation Center 2014). Thus, companies with corporate foundations are more following a social trend than a business case. This raises questions on the effectiveness and contents of corporate philanthropy.

Effectiveness of corporate philanthropy

On the one hand, Porter and Kramer (2002) argue, that the effectiveness of corporate foundations is linked to the core business. Halme and Laurila (2009) state that within the complex term of corporate responsibility, philanthropy has the least effectiveness. On the other hand, Leisinger (2007) sees the added value of corporate philanthropy in the preference of social aims. Based on our findings, we would support Leisinger's perspective. However, an explanation for the divergence may be found in the question, how to define the business case of corporate philanthropy (Carroll and Shabana 2010). In order to analyse the benefits of corporate philanthropy we have to define the positive outcomes of interest, first. If social

outcomes get quantified and become measurable, the picture of added value can be completed (Emerson 2003). Through methods such as the social return on investment or the social impact assessment nonmonetary outcomes that are valuable for both, business and society, are included and, thus, create a win-win-situation. Leisinger (2007) emphasizes that if economic effectiveness is the key factor, important social issues, e.g. extreme poverty, will not be supported. In contrast, several studies prove that effectiveness is less important in corporate philanthropy, compared to CSR (Marx 1999, Westhues and Einwiller 2006). In fact, corporate philanthropy is important for the relationship to the community and the employees and still has a connection to strategic objectives of the company (Marx 1999).

Contents of corporate philanthropy

Although we did not analyse the purposes of the corporate foundations under research, some general issues of content can be discussed. First of all, literature suggests that CSR and corporate philanthropy may overlap, but cover different areas. Especially with the rise of sustainability, CSR has become even more related to the core business. On the contrary, philanthropy is not much related to sustainability. For instance, philanthropy was not mentioned at all in the report of the Global Reporting Initiative (GRI 2013). The focus of philanthropy is more likely to be found in community engagement, arts, education, or development aid (Brown et al. 2006, Gottschald and El Dakkak 2014, Halme and Laurila 2009, Seifert et al. 2004). However, understanding corporate philanthropy only under the premises of local development and community engagement would raise questions of the differentiation to the concept of corporate citizenship (Schaltegger 2011; von Schnurbein and Seele 2014). The most challenged aspect of content remains the connection to the core business. Either corporate philanthropy is aligned with the core business and uses the competencies of the company, or it remains independent in terms of content, but connected to the company in terms of organization and social aims. However, an increase of independence and freedom creates risk on the other side. It may lead to a misalignment that will end in greenwashing or pure image-related action (Frazier and Lopez-Rivera 2011).

Aligned or not aligned?

Our main finding is that there is no clear relationship between sustainability ratings and the annual expenditures of the corporate foundation. Hence, we can claim neither a crowding out effect nor a scaling up effect of CSR on corporate philanthropy. A major explanation for this finding lies in the different logics of CSR and corporate philanthropy. On the one hand, CSR is closely connected to the core business, affecting supply chain, employees, sustainability, and – to some extent – the community. Additionally, CSR is object of regulation on many levels, from industry guidelines up to legal acts and supranational supervision. The increasing importance of sustainability ratings made CSR a part of competitive divergence. On the other hand, referencing to its definition, corporate philanthropy is voluntary by nature. In order to be acknowledged as philanthropic and, thus, tax deductible, corporate action has to deal with a charitable purpose, which is the first hurdle to make it a clear business case. As our results show, non-alignment does not mean that one or the other concept

falls behind. Instead, CSR and corporate philanthropy can nourish each other, and target different aims at the same time.

6. Implications and Conclusion

In the light of this discussion, our findings offer some interesting starting points for further research. However, we first want to mention some limitations of the data and the method. Both concepts, CSR and corporate philanthropy, were operationalized with only one core aspect, sustainability and corporate foundation expenditures. Hence, a broader approach might lead to different results, but also to more conflicts in terms of multi-collinearity and clarity. Due to data limitations, we had to use non-varying data on sustainability. Thus, a fixed-effects method could not be conducted and we had to choose the random-effects method. With fixed effects, we would have been able to test for not included variables. For example, the personal effect of managers may have an important influence on corporate foundation expenditures (Dennis et al. 2009). As a consequence of the method with two divergent set of high and low sustainable companies, our sample size was drastically reduced. A larger sample size would offer more robust results. The time horizon was chosen based on the available data. As foundations use to have a long-term perspective, eight years is a short period of time to measure for strategic changes. Hence, our results have to be handled with care and cannot be simply generalized. They are related to corporate foundation expenditures of U.S. companies and their culture.

Nevertheless, we call for more investigation on the role of corporate philanthropy and a better definition of the components of CSR. Given the rare examples of quantitative empirical research on corporate philanthropy, our study offers a starting point for further empirical work. Especially, the relationship of CSR and corporate philanthropy should be tested with a larger sample and a more detailed operationalization of the two concepts. The Foundation Center indicates that corporate foundation expenditures stand for half of all corporate giving. Hence, it would make sense to include the other half, as well. It is obvious that these kinds of analyses need better data availability in advance.

Another perspective to survey the two concepts could be to investigate the state of CSR and corporate philanthropy in different continents and countries. In Europe, several aspects of CSR (for instance employee engagement) are already regulated by the law. Additionally, philanthropy has never been as influential in Europe as in the U.S. One direction of future research might be the investigation of these differences. Another direction is to trace developments of isomorphism in transnational corporations. One might expect normative or mimetic isomorphism of corporate foundations (Powell and DiMaggio 1991).

Finally, we call for further conceptualization and theoretic work on concepts like CSR and corporate philanthropy. As long as the concepts remain vague and blurred, there is a danger of comparing peaches with oranges. As stated by Gautier and Pache (2015), the theoretical foundation of corporate philanthropy is weak. Hence, we call for interdisciplinary work for a

better understanding of corporate philanthropy, including management, sociology, ethics and philosophy, and law.

To conclude, we recall the research question on the relationship of CSR and corporate philanthropy. By applying alignment theory we developed a framework for further research. In our survey, we showed that non-alignment of CSR and corporate philanthropy is of higher relevance than alignment or misalignment. The major explanatory factor for this clear distinction lies in the different logics: CSR is regulated and more standardized, whereas corporate philanthropy is voluntary by nature.

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