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Collaboration between Corporations and Nonprofit Organizations

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In the United States nonprofit organizations and businesses have long been in collaboration. Collaboration has ranged from efforts to advance public welfare to simply making money for both parties. Even so, philanthropic partnerships are seldom purely altruistic, and commercial partnerships often have an element of altruism. This has been the case for well over a hundred years, and we suspect that it will continue. Since one type of organization has the goal to earn money for owners even as they are trying to do good, and the other to advance social welfare even as they are trying to increase revenues, it is inevitable that there will be tension and contradictions as well as synergy.

Hall (1989, 1997) and Karl (1991) documented the early history of business and charity collaborations. Andrews's (1952) book presented an overview of company giving up to 1950 and a detailed analysis of business giving at mid-century. Heald (1970) looked at business social responsibility from the nineteenth century up to 1960. H. Smith (1983) provided a description of corporate giving from 1936 up through the 1970s. Useem's (1987) chapter in the first edition of *The Nonprofit Sector: A Research Handbook* provided an overview of giving in the 1970s and 1980s. This was followed by Galaskiewicz (1989) and H. Smith (1993). Knauer (1994) and Kahn (1997) provided a review of the legal environment surrounding corporate contributions. In 1997 the *New York Law School Law Review* (NYLSLR) published a two-issue volume on topics related to corporate/nonprofit relations, and in 1999 the Conference Board published a report that documented the history of corporate giving to the present (Muirhead 1999). A year later Sagawa and Segal (2000) published a useful practice-oriented overview of philanthropic, marketing, and operational exchanges between businesses and nonprofits. More recently Kotler and Lee (2005) published a volume for practitioners, which draws on the extant research, making the case for corporate social responsibility. They also present numerous case examples. We encourage interested readers to seek out these and other sources for more information and insights on business/nonprofit collaborations.

This chapter updates the Useem one with ideas we introduced in an article written for the *NYLSLR* volume (Sinclair and Galaskiewicz 1997). Nonprofits can relate to businesses in a variety of ways, for example, as subcontractors, competitors, adversaries, owners, suppliers, customers, as well as collaborators (Abzug and Webb 1999). We focus only on collaboration but recognize that businesses and nonprofits are linked in a number of ways.

We describe four types of business/nonprofit collaborations: philanthropic, strategic, commercial, and political. Philanthropic collaborations advance social welfare by facilitating the delivery of nonprofits' mission-related services. They typically entail a unilateral transfer payment from the company to the nonprofit, but in many cases companies cooperate extensively with nonprofits in providing services. A major problem with philanthropic collaborations is that it is often difficult to assess results and the benefits to either party or the larger society. After reviewing the statistics on giving, we examine management issues, companies' motives, and the nonprofit beneficiaries of corporate largesse. The purpose of strategic collaborations is to realize exclusive benefits for the firm while advancing social welfare

through the activities of the nonprofit. Sometimes this is called social investing or strategic philanthropy. Measurement is still a problem, but business partners typically have better information on how the collaboration benefits them. We focus on sponsorships and donations of equipment and products. The purpose of commercial collaborations is to increase revenues for both the company and the nonprofit. Social welfare is only of secondary importance, and the benefits for both are relatively easy to measure. We examine cause-related marketing, the licensing of names and logos of nonprofits, and scientific collaborations. Political collaborations aim at reproducing or changing institutional arrangements. Sometimes the purpose is to change corporate practices. The company and the nonprofit may have the same agenda, but they could be in conflict and work together to find a mutually satisfying solution to a problem. Rather than being motivated by immediate financial gains, companies often participate in these collaborations to improve business conditions or out of fear of negative publicity and investor and/or customer disaffection. We examine political collaborations within the United States and in the international context.

BACKGROUND

Collaborations among businesses and charities have a long and storied history in the United States. Although it was not uncommon for businesses to give money to charity in the nineteenth century (Hall 1989), it was not until the 1920s that states began to authorize philanthropic contributions although with restrictions (Kahn 1997:596–97). In 1935 Congress declared a federal income tax deduction for corporate charitable contributions, and after World War II legislatures further liberalized state philanthropy laws. The New Jersey court ruling in *A. P. Smith Manufacturing Co. v. Barlow* (1953), and the Supreme Court's refusal to review the decision, affirmed the corporation's right to make donations that did not directly benefit the firm. While direct benefit was still a legitimate reason to give, the court now formally recognized that philanthropic giving was legitimate as well. In the 1980s and 1990s every administration—both Democratic and Republican—called upon businesses to take a greater role in solving societal problems, reaffirming the legitimacy of this practice.

The debate continues over whether direct benefit or social welfare should be a motive for company giving. In the 1930s Adolf A. Berle, Jr. (1931), and E. Merrick Dodd, Jr. (1932), debated the issue in the *Harvard Law Review,* and Friedman's (1963) admonition that the business of business is business echoes in the ears of many today. In the 1980s many raised the issue of shareholders' rights and shareholder groups have called for full disclosure of charitable activities to keep corporations accountable. In the wake of shareholder activism, mergers, acquisitions, and restructuring in the 1980s and 1990s, the issue of direct benefit went center stage. It is then not surprising that in the late 1980s and 1990s consultants advised companies to make "social investments" and give strategically when making charitable contributions, thus fulfilling their fiduciary obligations to their shareholders (C. Smith 1994b; Weeden 1998).

Strategic philanthropy has become so dominant a rationale for giving that some critics have called for reform. As illustrated in Weisbrod (1998b), companies and nonprofits are actively engaged in business collaborations that generate significant commercial income for both but do little to advance social welfare. Some have even called for the repeal of the corporate charitable deduction under Section 170 of the Internal Revenue Code, because of the self-serving nature of many corporate gifts (Knauer 1994). "While profit-maximizing charitable contributions are uncontroversial from the perspective of corporate law, they are highly controversial as a general theoretical matter, and from the perspective of tax policy analysis" (Kahn 1997:663–64). It would be easier to disallow companies from making charitable contributions and taking the tax deduction, but that would reverse much of U.S. history and many in the corporate and nonprofit communities would fight it.

Because of the complexity of the law and the futility of drawing clear distinctions between corporate self-interest and social welfare, we doubt that the debate over the nature of corporate ends and corporate/nonprofit collaboration will end soon (see, for example, Margolis and Walsh 2003). That many collaborations have political overtones complicates the situation further. In this chapter we draw the distinction between philanthropic, strategic, commercial, and political collaborations. However, it will soon become clear that the differences among the various types of alliances are not that hard and fast.

TYPES OF COLLABORATION BETWEEN CORPORATIONS AND NONPROFITS

Philanthropic Collaborations

Philanthropic partnerships usually entail companies giving money or products to public charities with few or no conditions and no expectation of direct, measurable benefit. The charity, in turn, is expected to use the donations to pursue its tax-exempt purpose. Donations include unrestricted gifts to the operating budgets of theaters, schools, orphanages, and social-service agencies, restricted gifts for endowments or the construction of buildings, matching gifts to employees' designated charities, and the like. The gifts supposedly benefit third parties, but it is often difficult to measure the impact of one's contributions (see Alperson 1996). While these gifts may produce latent benefits for the firm—for example, a better-educated workforce or goodwill—what makes them distinct, according to Lombardo (1995), is that donors do not expect a quid pro quo. These gifts are typically deducted as charitable contributions under Section 170 of the Internal Revenue Code.[1]

Philanthropic partnerships often entail more than check writing or equipment donations. Employees can get involved as volunteers, firms sometimes share their marketing

or information systems expertise, company representatives will participate in planning and policy sessions, and a company will often adopt the project as if it were its own.[2] Often many different partners are involved, and there are high coordination costs. Corporations' partnerships with nonprofits, governments, and communities in the area of community/economic development began in the mid-1980s (Muirhead 1999:43; see also Alperson 1998). Companies also formed partnerships with elementary and secondary schools in the 1980s, and these have proliferated over the years (see Brothers 1992; Longoria 1999). More recently, attention has turned to collaborations surrounding public safety (M. Whiting 1999) and welfare to work on the heels of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (see Perlmutter 1997; Parkinson 2000; and Stone 2000). This was partly in response to privatization initiated by the Reagan administration, but many other factors—for example—changes in the tax laws and corporate culture, contributed to this as well.

Numerical Overview

Donations are in the form of grants, company products and/or property, and matching gifts. In their survey of larger firms the Conference Board found that 49 percent of the dollar value of corporate gifts in 2003 was in the form of company products, up from 35 percent in 2002, but this varied greatly by industry (Muirhead 2004:10; see also Greene and Williams 2002:7). The Conference Board also claimed that "more than 6,000 companies and corporate foundations in the United States currently match their employees' gifts to nonprofit organizations" (Muirhead 1999:25). However, it is difficult to ascertain the exact dollar amount.

Looking at the numbers—which include all three types of donations—there is no sign that companies have lost interest in making tax-deductible contributions to charity. Table 8.1 and figure 8.1 show that current dollar and inflation-adjusted charitable contributions rose steadily from 1970 to 2004. Despite recessionary periods, growth through the

TABLE 8.1. THE VALUE OF CORPORATE GIFTS AND GIFTS AS A PERCENTAGE OF PRETAX INCOME 1970–2004 ($ IN BILLIONS)

Year	Value of gifts (current dollars)	Value of gifts (2004 dollars)	Pretax net income (2004 dollars)	Gifts as percentage of pretax net income
1970	0.82	3.99	394.31	1.0
1971	0.85	3.96	433.13	0.9
1972	0.97	4.38	487.17	0.9
1973	1.06	4.51	573.83	0.8
1974	1.10	4.21	566.13	0.7
1975	1.15	4.04	511.03	0.8
1976	1.33	4.42	596.62	0.7
1977	1.54	4.80	655.90	0.7
1978	1.70	4.92	713.02	0.7
1979	2.05	5.33	707.57	0.8
1980	2.25	5.16	581.15	0.9
1981	2.64	5.49	506.53	1.1
1982	3.11	6.09	388.61	1.6
1983	3.67	6.96	443.58	1.6
1984	4.13	7.51	488.38	1.5
1985	4.63	8.13	451.96	1.8
1986	5.03	8.67	423.92	2.0
1987	5.21	8.66	528.11	1.6
1988	5.34	8.53	616.43	1.4
1989	5.46	8.32	584.62	1.4
1990	5.46	7.89	591.88	1.3
1991	5.25	7.28	586.67	1.2
1992	5.91	7.96	620.81	1.3
1993	6.47	8.46	675.95	1.3
1994	6.98	8.90	735.58	1.2
1995	7.35	9.11	835.77	1.1
1996	7.51	9.04	882.54	1.0
1997	8.62	10.14	939.34	1.1
1998	8.46	9.80	832.39	1.2
1999	10.23	11.60	879.78	1.3
2000	10.74	11.78	848.40	1.4
2001	11.66	12.44	755.10	1.6
2002	10.79	11.33	795.91	1.4
2003	11.18	11.48	897.72	1.3
2004	12.00	12.00	985.30	1.2

Source: Giving USA Foundation 2005.

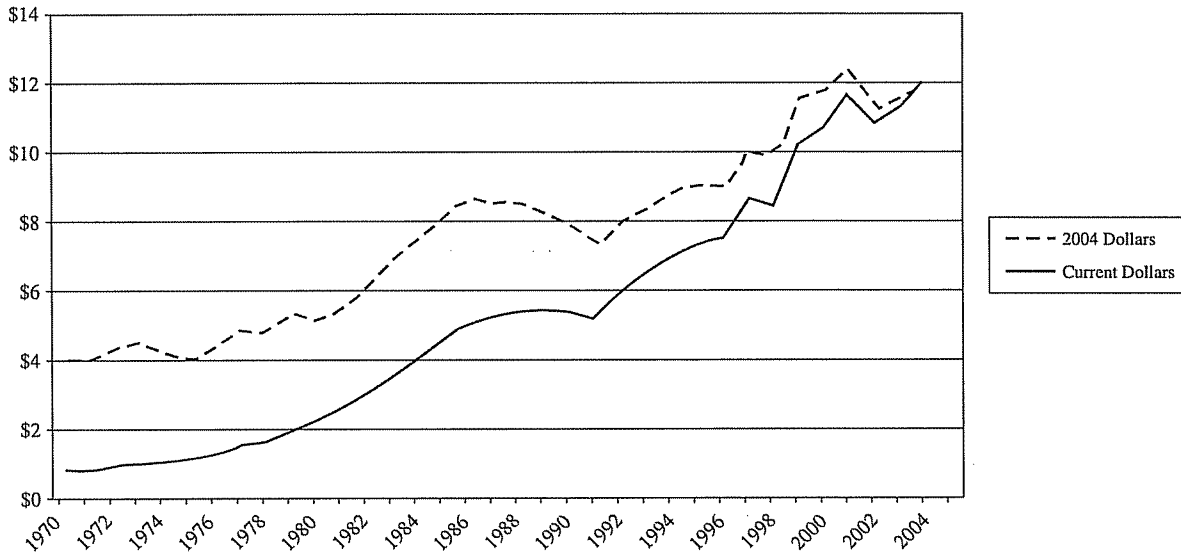

FIGURE 8.1. CORPORATE GIVING IN BILLIONS, 1970–2004
Source: Giving USA Foundation 2005.

1970s and 1980s was steady with a marked increase in giving in the mid-1980s. The increase in contributions in 1986 was probably due both to the 1981 Economic Recovery Tax Act, effective in 1982, which increased the value of company products donated for scientific research and raised the limit on charitable contributions from 5 percent to 10 percent, and the Tax Reform Act of 1986, which took effect in 1987 and dropped the marginal tax rate for corporations from 46 percent to 34 percent (Morgan 1997:779). Contributions continued upward during the 1990s and into the twenty-first century. In 2004 total corporate giving was an estimated $12.0 billion up from the estimated $11.2 billion in 2003 and $10.8 billion in 2002 (in current dollars) (Giving USA Foundation 2005). The number for 2001 was greater, $11.7 billion, because of the terrorist attacks on September 11, 2001. The Foundation Center reported that 543 corporations and corporate foundations pledged or donated $621.5 million to 9/11 causes with some of the money coming from donations budgets and some from other corporate funds (Renz 2002b:3; see also Renz 2002a).

Table 8.1 also shows that charitable contributions as a percentage of pretax income stayed between 0.7 percent and 1.0 percent in the 1970s. Contributions as a percentage of pretax income increased in the 1980s and peaked at 2.0 percent in 1986. From 1990 to 1999 the percentage fluctuated between 1.0 percent and 1.3 percent. Because of lower corporate earnings and 9/11 giving, in 2000, 2001, and 2002 the percentage went to 1.4 percent, 1.6 percent, and 1.4 percent. It was back at 1.3 percent in 2003 and 1.2 percent in 2004, which are comparable to percentages for the 1990s. Corporate charitable contributions constituted 4.8 percent of total giving in 2004 (Giving USA Foundation 2005). This figure is very close to the forty-year average of 5.0 percent, which is also the figure Andrews (1952:19) reported at midcentury. In sum, company philanthropic giving over the past thirty-four years has proven to be resilient and popular among companies in both good times and bad.[3]

Although American companies' influence abroad has increased dramatically since World War II, U.S. corporate giving abroad is quite meager.[4] While there are no exact figures on direct cash and product contributions abroad, the Foundation Center (Renz and Martin 2000:2) reported that between 1994 and 1998 "international giving by corporate foundations more than doubled to $57 million." Furthermore, "international giving by corporate foundations nearly doubled from $57 million in 1998 to $108 million in 2001 while overall corporate foundation grant dollars grew by 56 percent" (Renz and Atienza, 2003:2). Still Renz and Atienza (2003) reported that corporate foundation giving made up only a little more than 3 percent of all international foundation giving in 2001. The Foundation Center (2003:65) estimated that giving for international affairs and development constituted only 1.4 percent of corporate foundation giving in 2001.[5] While international contributions are increasing, they are still concentrated in Western democracies (Muirhead 1999:53).

Management Issues

The management of corporate-nonprofit collaborations has become more complex as ties between companies and nonprofits have expanded. The traditional way of disbursing contributions was for the CEO and his secretary or another corporate officer to review requests and then write a check from his office funds. This is still the practice at many smaller, family businesses (Burlingame and Frishkoff

1996:92). Another strategy is to delegate decision-making to a corporate contributions program, the community affairs/ relations department, the public relations department, the communications department, or the human resources department (Tillman 1997:39). A staff member might give a preliminary review but the decision-making would be delegated to a committee of mid-level managers or senior-level executives. A few companies have experimented with committees that have employees from across the firm; however, this is a problem if facilities are widely scattered across the globe. Often in branches or local plants responsibility for small grants is delegated to local managers (Tillman 1997:45).

A popular strategy among larger firms is to create a corporate foundation (see Webb 1996a for an overview). Corporate foundations were not that common until the 1950s, when a number of new foundations were created. They continued to proliferate in the 1970s and early 1980s, were the victims of retrenchment, mergers, and acquisitions in the late 1980s and early 1990s, and rebounded somewhat in the 1990s as new foundations were established accompanying the new wealth of that decade (Hall 1989:236; Webb 1994:44–45). In their 2003 survey of large firms the Conference Board found that 75 percent had a corporate foundation (Muirhead 2004:11). The Foundation Center (Renz and Lawrence 2004:4) reported that 2,362 corporate foundations disbursed $3.46 billion in grants in 2002; they estimated that corporate foundations gave $3.40 billion in 2003, a decline of 2 percent. Of course, if only cash gifts were included, foundations would be administering a higher percentage of corporate giving. The law prohibits foundations from making donations that can benefit the parent company directly (Tillman 1997:14). This puts foundations in an awkward position when companies try to extract *direct* benefit from contributions. Often, questionable expenditures will be charged against operating expenses so as to avoid compromising the foundation.

Corporate foundations have several financial advantages. A common strategy is for companies to make tax-deductible contributions to their foundation from company profits in good times, which then enables them to make donations when profits sag (Muirhead 1999:33). Another strategy is to increase giving to corporate foundations when the tax rate is high or is likely to fall in the near future. This ensures that the firm is able to minimize its taxes, while total disbursements (direct giving plus foundation grants) remain "smooth" over time (Webb 1994; see also Webb 1996b, which extends this discussion). Recently it appears that companies are giving more company stock to their foundations, thus enabling them to make disbursements from dividends or the sale of stock. In the late 1990s, the Foundation Center (Renz and Lawrence 2001:5) found that corporate foundations were paying out less than companies were paying in, resulting in a growth in assets. Previously, corporate foundations had very few assets and were mainly flow-through devices. Webb (1996a) notes that there are considerable tax benefits for doing this.

Relations between corporate giving and foundation staff and other corporate managers are not always harmonious. Himmelstein (1997) studied fifty-five of the largest company giving programs in the United States and found that giving officers in particular had a strong commitment to do something genuinely worthwhile for the communities in which their firms operated. Yet, doing good was difficult to defend in companies that were under attack by disgruntled shareholders, embroiled in cutthroat competition, or vulnerable to crises beyond their control. Because the function often did not directly contribute to the "bottom line," to survive it had to have the support of the CEO or chairman of the board or it had to speak to the strategic interests of the firm. Yet, to ensure its integrity the giving program had to guard against becoming a "plaything" of senior executives or an arm of the marketing/personnel/public relations departments. This is often a difficult tightrope to walk.

Measurement issues are at the center of the controversy. If giving is to be strategic, then managers should be able to measure the results. The Conference Board (Alperson 1996) did one of the few studies to look at these issues. They surveyed contributions and community relations managers and found that "just 44 percent of respondents do some form of measurement or evaluation of their corporate contributions and community programs, while 56 percent report that they benchmark them. Among these, about one-third say they both evaluate and benchmark their programs, while another third say they do not measure at all. Companies that have such evaluation and benchmarking programs report mixed levels of satisfaction with the results" (p. 6). Some of the firms performed these functions themselves; others subcontracted the work to consultants. Recently, the Council on Foundations (2000) published a "tool kit" developed by Walker Information, Inc., to help companies measure the business value of corporate philanthropy by measuring stakeholders' perceptions and intentions. Yet, managers still have difficulty measuring the impact of contributions on the achievement of business goals or the solution of societal problems.

It then comes as no surprise that managers' personal values often matter in making contributions decisions. Buchholtz, Amason, and Rutherford (1999) found that managers' values regarding social responsibility partially mediated the relation between firm resources and giving; Campbell, Gulas, and Gruca (1999), Lerner and Fryxell (1994), and Thompson and Hood (1993) also found that managerial values mattered. Thus while companies have tried to rationalize the process, philanthropic grant making is still highly dependent on managers' values and interests. It is also not surprising that Himmelstein (1997) found a transcorporate network of executives and contribution officers who communicated with each other, embraced a common set of beliefs and language, and consulted with each other on common problems. Because of the uncertainty surrounding donations and the lack of measurement, giving officers and foundation staff often relied on the evaluations and gifts of

peers to come to funding decisions and thus the preferences of peers were reflected in who the firm funded (Galaskiewicz and Wasserman 1989; Galaskiewicz and Burt 1991).

There are special problems in managing international philanthropy. Griffiths (1992) argued that corporations need to be open about their activities to diffuse any suspicions some have of corporate involvement in social welfare provision. In many countries government has the primary responsibility for these matters. The Conference Board (Gornitsky 1996) noted that companies often have difficulty identifying reliable nonprofit donees in countries where the nonprofit sector and grant seeking is not as institutionalized (see also Flaherty 1992). Proposals are written more informally and often companies have to translate them into English. Grants need to be made in local currencies. From the perspective of the donor, expectations are often excessive. Tax laws differ across countries so that certain types of gifts in certain countries are not considered "charity." According to U.S. tax law, a direct contribution to a foreign charitable organization is not deductible under Section 170 of the Internal Revenue Code (Lashbrooke 1985:225; Internal Revenue Service 2001a). There are also conditions on foundation grants to foreign nonprofits that have discouraged many from giving. Although some have been liberalized (Schwinn 2001:40), post-9/11 sentiment may restrict foundation activity, especially in the Arab world. Many companies solved these problems by having country managers administer funds in a decentralized manner and report them as ordinary business expenses. Others simply funded U.S.-based 501(c)(3) nonprofit organizations working in relevant countries overseas (Gornitsky 1996:15) or used gift brokers such as United Way International (Blum 1999:12).

Motives

In this section we review the literature on why companies engage in philanthropic partnerships. There is more disagreement than agreement. Researchers cannot agree on the motives, and commentators cannot agree on what ought to motivate philanthropic collaborations. To complicate matters, one often finds different motives in the same firm, and sometimes in the same executives.

Increase Profits and Improve Financial Performance. In the 1980s and 1990s many management theorists argued that companies should give to further their business interests and enhance corporate performance.[6] Stendardi (1992) and C. Smith (1994b) argued that contributions should be used to market products and services, boost employee productivity, overcome regulatory obstacles, and so on. They called for companies to use all their assets to maximize their earnings (see also Mescon and Tilson 1987; Zetlin 1990; Stevenson 1993; C. Smith 1994a). The Conference Board further legitimated the "new corporate philanthropy," surveying company giving managers on how they were finding more synergy with other company departments, aligning giving to company business goals, developing ways to measure program results, and spreading around ownership of the function (Alperson 1995:9; see also Garone 1996).

The most common strategy is to use philanthropic contributions to enhance the firm's (or the industry's) image and generate "good will" among stakeholders. The latter includes customers, employees, investors, regulators, or the communities in which firms operate. Webb and Farmer (1996:32–33) argue that a good image can either increase product demand or help reduce operating costs. Managers seem drawn to this rationale. In Marx's (1999:190) study a "favorable company image" was the second most important goal cited by giving officers in strategic giving programs. By "doing good" the company is seen as more public-regarding and less selfish. Supposedly this translates into a reputation for being more honest and trustworthy, which should make the firm a more attractive business partner. "The goal is to become known as a good corporate citizen . . . then, somewhere, somehow, your good image pays off" (Henricks 1991:31). Using data for 2003, Cone, Inc. (2003), found that 89 percent of those surveyed said that in light of the Enron collapse and WorldCom financial situation, it is more important than ever for companies to be socially responsible. Furthermore, a company's commitment to social issues would affect which companies people want to see doing business in their community (84 percent), where they want to work (77 percent), and which stocks or mutual funds they want to invest in (66 percent). Firms regarded as good corporate citizens could realize increased sales, have fewer labor problems, secure favorable legislation, or be given the "benefit of the doubt" in difficult situations. One cannot "bank" one's image or know when one's image "pays off," but it is potentially a valuable corporate asset (Fombrun 1996).

To test the reputational benefits argument, researchers typically identify firms that might realize some reputational gain from giving and then see if they are more likely to be donors. For the most part they have been successful. Burt (1983:197–221) found that industries with a larger percentage of sales to households made greater contributions measured in absolute dollars, per capita dollars, or as a proportion of profits. However, Galaskiewicz (1985, 1997), in his study of Twin Cities firms, found no effect of consumer sales on giving using firm-level data. Several researchers found an association between expenditures on advertising, contributions, and market position. For example, Fry, Keim, and Meiners (1982), Levy and Shatto (1978), Levy and Shatto (1980), and Navarro (1988) all found positive correlations between advertising budgets and corporate giving levels.

Researchers have also studied the relation between firms' personnel needs and company giving. Here the evidence is more mixed. The Council on Foundations reported that 60 percent of the CEOs they surveyed said that contributions to charity helped to attract good people to the community and company (Daniel Yankelovich Group 1988:41). Approximately 80 percent of the larger firms cited this as one of their rationales for giving (see also McElroy and Siegfried 1986

and Yankelovich, Skelly, and White 1982). Nelson (1970) found that an industry with 10 percent more employees gave 2.7 percent more in contributions, when controlling for sales, profits, and officers' compensation. More recently, Fry et al. (1982) and Navarro (1988) found positive correlations between labor intensities and marginal changes in contributions. However, Siegfried, McElroy, and Biernot-Fawkes (1983) and Galaskiewicz (1985) found no effect of labor intensities on giving and Galaskiewicz (1997) found a negative effect.

Research has also looked at the effect of negative public relations on giving. In an early study Ermann (1978) found that firms that were particularly vulnerable to public criticism—oil companies and firms that recently increased their profits—were among the biggest contributors to the Public Broadcasting System. Miles (1982) described how the tobacco industry, when challenged by the Sloan-Kettering Commission and the Surgeon General's report on smoking's health hazards, responded by giving millions of dollars to universities and research institutes that did work on cancer-related topics. This put the tobacco companies in touch with research that was of immediate interest to them but the contributions also signaled the public that the industry wanted to support "objective" research on the effects of cigarette smoking. More recently, Werbel and Wortman (2000) studied 163 companies between 1988 and 1993 and found that giving to educational institutions increased following negative media exposure of the company. King (2001) interpreted the National Football League's Real Men Wear Pink partnership with the Susan G. Komen Foundation (a breast cancer charity) as a way to counteract players' alleged propensity for criminal activity with images of their community service and caring behavior.

Stakeholder research shows that corporate citizenship and contributions do enhance company reputations. Galaskiewicz (1985) and Fombrun and Shanley (1990) found that companies that gave more to charities were regarded by constituencies outside the firm as being especially generous and more socially responsible (see also Haley 1991 and White 1980). In his study of Minneapolis–St. Paul firms Galaskiewicz (1985) also found that companies that gave more to charity were regarded by business leaders as more successful business enterprises. Sen and Bhattacharya (2001) found that corporate social responsibility initiatives improved consumers' evaluations of firms. Turban and Greening (1997) found that firms' corporate social performance made them attractive employers to prospective employees; Albinger and Freeman (2000) found the same results but only for prospective employees who had high levels of job choice. In a fascinating study Williams and Barrett (2000) found an interaction among criminal citations (for OSHA and EPA violations), giving, and corporate reputations—that is, firms that gave more to philanthropic causes experienced less negative image fallout from criminal citations than those that gave less.[7]

Although many claim that philanthropic contributions can benefit the bottom line, the evidence showing a relation between indicators of corporate social responsibility (a construct that often includes contributions but measures much more) and financial performance is weak or unclear. Sturdivant and Ginter (1977), Wokutch and Spencer (1987), McGuire, Sundgren, and Schneeweis (1988), Lewin and Sabater (1996), and Waddock and Graves (1997) show a positive association, while Abbott and Monsen (1979), Cochran and Wood (1984), Aupperle, Carroll, and Hatfield (1985), Berman, Wicks, Kotha, and Jones (1999), and McWilliams and Siegel (2000) found little relation between the two. Reviewing research from the 1970s, Arlow and Gannon (1982:235) concluded that the relation among social responsiveness, corporate citizenship, and financial performance was inconclusive. After reviewing the literature in the 1980s and 1990s, Burlingame (1994), Wood and Jones (1996), as well as the Conference Board (Garone 1999) came to a similar conclusion. Reviewing studies from 1972 to 2002, Margolis and Walsh (2003) found either a positive or no effect of corporate social performance on financial performance and only rarely a negative effect.[8]

Advance Managerial Utility. A second explanation for charitable contributions is that they are a form of executive perquisite and serve managerial utility. Drawing on Oliver Williamson's (1964) model of discretionary behavior, one could argue that some managers prefer corporate contributions as well as after-tax profits. Managers may be motivated by religious commitments, political beliefs, personal interests in a nonprofit, or access to elite social circles. In any event, executives may use corporate contributions to further their own interests, thus making contributions a form of executive compensation.

Economists argue that if both profits and contributions are important to managers, fluctuations in tax rates should affect contributions, but if contributions are driven only by profits, tax rates should have no effect on contributions (Clotfelter 1985b:188–93). The higher the tax rate, the lower the cost of an additional dollar of contributions and the greater the incentive to contribute, although this comes at the price of lower profits. Most researchers have looked at the complement of the marginal tax rate or the average tax rate; they call this the "price" of a contribution.[9] Currently, firms can deduct charitable gifts up to 10 percent of pretax net income (in 1981 this increased from 5 percent), and this sets a ceiling on giving; this is seldom reached, however. Researchers found that changes in the tax rate do affect company contributions, although the price effect for corporate giving appears to be considerably smaller than for individual contributions (Clotfelter 1985b, 1985a:203). Schwartz (1968) examined data extending from 1936 through 1961, analyzing industrial groups together and then nine separate industry categories. Controlling for the average after-tax income and then for cash flows, the complement of the average tax rate consistently had a negative effect on contributions. Nelson (1970) looked at industry-level data between 1936 and 1963 and analyzed aggregate after-tax corporation income, the complement of the marginal tax rate, and aggregate contributions of corporations. He, too, found a price effect, but

his analysis produced a lower price-elasticity coefficient. Levy and Shatto (1978) and Clotfelter (1985b) had similar findings on the relation between the complement of the marginal tax rate and giving; Navarro (1988) found no tax effect; and Boatsman and Gupta (1996) found a negative relation between firm-level estimated marginal tax rates and contributions. In general, these findings suggest that giving may very well be driven by managerial utility.

Others argue that if contributions are managerial perks, firms disciplined by tight principal control should give less to charity. In contrast, firms with more diffuse ownership and stronger insider control—and thus greater managerial autonomy—are free to give more. Because of the weak coupling of charitable giving to company performance, managers who are accountable to powerful owning interests (families, individuals, or corporate investors) are less likely to make contributions. Owners will prefer to make their own gifts without the help of managers (unless they can reduce executive compensation by substituting "perks" for pay). Only when managers are free of ownership supervision are they free to make contributions, if that's their preference. Whether or not they choose to do so is another matter and may depend on exogenous factors (see also Shaw and Post 1993; Kahn 1997).

Empirical work on ownership control has been suggestive. Atkinson and Galaskiewicz (1988) found that Twin Cities companies gave less to charity if the CEO owned a greater percentage of stock or there was someone other than the CEO who owned more than 5 percent of the company's stock. In a reanalysis of the data, Galaskiewicz (1997) found that the effect of peer pressure on contributions was weaker if the firm came under the control of large outside investors. In their studies of corporate boards and contributions, Wang and Coffey (1992; see also Coffey and Wang 1998) found that as the ratio of insiders to outsiders increased, charitable contributions increased. This supports the agency hypothesis, since "a higher proportion of outsiders on a board can better monitor and control the opportunistic behavior of the incumbent management" (p. 771). They also found that the percentage of stock owned by inside directors, a measure of managerial control, was positively related to firms' charitable contributions. Bartkus, Morris, and Seifert (2002:332) found that large donors had significantly fewer large blockholders than small donors and large donors had a significantly lower percentage of stock owned by institutional investors than small donors. On the other hand, Navarro (1988) found no relation between managerial control and contributions.

Another body of work examines the role that social acceptance or status plays in motivating contributions. Firms and their executives do not operate in a social vacuum, but are subject to various social pressures to make charitable contributions. This pressure can come from executives at peer institutions, customers, business and civic leaders, or friends and neighbors. While self-aggrandizement may be a motive, business people also know that making contributions to the right nonprofits can earn the company new business and/or keep old business contacts happy. Thus finding a social context effect does not necessarily mean that executives are using company funds to increase their social status.

Several studies have found that other firms, CEOs, and business leaders influence company contributions. Useem (1991) found that broader local business support of the arts resulted in greater individual company giving to the arts, and giving to the arts increased even more if companies reported that their giving program was highly responsive to outside business pressures (see also Useem and Kutner 1986). Navarro (1988) found that firms in cities with tithing clubs were giving at much higher rates than firms in cities without these clubs, and McElroy and Siegfried (1986) found that a firm increased its contributions if other firms in their city had higher contributions. The authors attributed this to "expectations" and suggested that a great deal of corporate giving was motivated by the desire to be responsive to respected peers in the business community.

In a study of U.S. and U.K. firms Useem (1984) showed that an "inner circle" of business elites and peer pressure was an important factor in motivating corporate community service. Companies with more "inner circle" directors on their boards were larger contributors in general and more likely to be recognized as generous contributors to the arts or members of arts or educational organizations (pp. 126–27). In his study of Minneapolis–St. Paul companies Galaskiewicz (1985, 1997) found that companies gave more if their CEO, top executives, or board members moved in the social circles of local business and civic leaders who promoted corporate giving. In open-ended interviews executives and local leaders reported that peer pressure was an important factor in motivating company contributions (1985:72–75). In a study of 160 corporate foundations Werbel and Carter (2002) found that giving was greater if the CEO was a member of many nonprofits and she or he sat on the foundation's board of trustees. Eckstein (2001) described how small businesses in an Italian working-class suburb were pressured into giving by local leaders and groups. Although social acceptance was a factor, merchants knew that business success in these neighborhoods depended on their being good corporate citizens. Besser (1998) found that business owners in thirty Iowa communities were more likely to assume leadership roles (but not more likely to give support to the community) if they thought their community exhibited high levels of collective action and expected that they would participate.

At a macro level Kirchberg (1995) studied eleven metropolitan areas between 1977 and 1991 and found that increases in service-sector income, decreases in manufacturing-sector income, and increases in the population's educational attainment were positively correlated with changes in corporate arts support. Wolpert (1993), in a secondary analysis of local generosity that included corporate giving as a dependent variable, found that giving was greater where larger corporations were prominent, income was greater, unemployment was lower, and the welfare ideology was more liberal. Both authors interpreted their findings in terms of "local

attitudes and regional climates of corporate giving" (Kirchberg 1995:316).

Further Social Welfare. Many companies genuinely seek to advance social welfare with their contributions. *Smith vs. Barlow* was important because it legitimated giving that was for the collective good. The theme of social responsibility and moral obligation emerged in Himmelstein's (1997) study. Here "doing good" was as important as "looking well." Reynold Levy (1999), the former president of the AT&T Foundation, echoed this theme. Marx's (1999) nationwide study of 194 strategic philanthropy programs in 1993 found that corporate contribution managers said that "high-quality community life" (96.4 percent), "improved community services" (93.8 percent), and "racial harmony" (83.5 percent) were important or extremely important goals of their giving programs (p. 190). Galaskiewicz (1985, 1997) found similar sentiments in the Minneapolis–St. Paul business community.

What is behind this interest in social welfare? Some firms have a strong sense of corporate social responsibility. Davis (1973:312) defined corporate social responsibility as "the firms' consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm . . . [to] accomplish social benefits along with the traditional economic gains which the firm seeks." Wood (1991) points out that there is a strong sense of obligation or duty among some firms and managers to help solve problems they create or problems related to their activities. Shaw and Post (1993) simply say firms have a moral obligation to behave in a socially responsible manner. This viewpoint became popular in the 1970s as business was considering how to react to urban unrest in the United States (Hall 1997). More recently, the social-responsibility theme has resurfaced in discussions of sustainable development and social justice (Whiting and Bennett 2001).

Some companies believe that their own future depends on the long-term survival and prosperity of society. Firms recognize the importance of physical and societal infrastructure. Recognizing that a "healthy corporation cannot exist in a sick community" (Stendardi 1992:22), corporations should tend to the infrastructure that will ensure their long-term success—for example, supporting environmental efforts helps to ensure that there will be natural resources in the future, supporting K-12 education ensures a talented workforce for the future, and so on. While companies have an eye on the benefits they might realize, they must also understand that others will be free-riding on their generosity. Thus giving to benefit social welfare at best serves firms' "enlightened self interest" (Baumol 1970).

Other companies believe that social welfare can best be served if social institutions would emulate the "business model." Thus firms should either become dominant partners with nonprofits or compete aggressively against nonprofits and government in providing services, thus showing them how to be efficient and effective. In the mid-1980s many businesses became involved in social welfare, education, and other human services, because, it was thought, they could do a better job "fixing" society than either the public or not-for-profit sectors. Control Data Corporation's efforts in the 1980s to use computer-based technology for education and job training were reflective of President William Norris's belief that many of society's social, educational, and welfare problems could better be solved using a business approach (Worthy 1987). Galaskiewicz and Bielefeld (1998: Chapter 2) reported that during the 1980s business executives in the Twin Cities went one step further and pushed for several social innovations ranging from health-maintenance organizations to school vouchers and charter schools. Dees (1998) says that by the 1990s "a new pro-business zeitgeist has made for-profit initiatives more acceptable in the nonprofit world" (p. 56). The idea was to make solving society's problems somehow profitable, or, if that was not possible, to expose sleepy nonprofits and bloated government bureaucracies to business culture and practices through partnerships or other means. This belief in the value of the business model was an important development because it provided a rationale for businesses to look for profits in health care, education, or the social welfare arena. Self-interested investment becomes almost a form of public service, because doing things in a businesslike manner supposedly furthered the collective good (Dienhart 1988).

Cui Bono: Who Benefits?

It is difficult to assess who benefits and what it means. Researchers will use different categories of recipients, making comparisons across studies and over time difficult. When compiling numbers researchers have used the most readily available data—for example, from convenience samples, for the largest firms, or from IRS 990-PFs (for corporate foundations). Missing data are significant and few researchers attempt to address this problem. Researchers have coded only grants over a certain amount of money, and, although the recipient's name is available, coders have not always known how the grant was used. By looking at who benefits, we are tempted to infer motives. Gifts to higher education could be construed as more profit-oriented or strategic; gifts to arts and culture as serving managerial utility; donations to the United Way as more public-regarding; and money to public policy advocates as ideologically motivated. However, such assumptions are dangerous since peer solicitation is an important tactic of United Way; matching gifts are important in corporate giving to colleges and universities; gifts to theaters and orchestras can be used to expose product and company name to upscale audiences; and donations to public interest groups may be for the services they provide (e.g., family planning) rather than the positions they advocate (e.g., abortion rights). Given these problems, we should proceed cautiously.

The Conference Board provides information on to whom large companies contribute. In table 8.2 we present figures for 2001, 2002, and 2003 (Muirhead 2004:31).[10] We see an increase in the percentage going to health and human services and a decline in the percentage going to education.

TABLE 8.2. DISTRIBUTION OF THE CONTRIBUTIONS OF LARGE CORPORATIONS, 2001–2003

Area	2001 (N=183)	2002 (N=205)	2003 (N=232)
Health and human services	31.6%	37.9%	40.9%
Education	31.9%	29.3%	21.5%
Culture and art	8.0%	8.3%	5.5%
Civic and community activities	12.0%	12.3%	10.2%
Environment	[a]	1.3%	1.9%
Other and unknown	16.5%	10.9%	20.0%
Total	100.0%	100.0%	100.0%

Sources: Muirhead 2004:31.
[a] Previously included in civic and community activities

The percentages going to civic and community activities and culture and art have decreased slightly, although partly this was due to environmental grants being reallocated to their own category.[11] These numbers are comparable to Helland and Smith's (2003) analysis of cash contributions among a sample of 262 Fortune 500 firms (and their foundations) in 1998. They found that 26.6 percent of the total went to education; 27.7 percent went to health, social services, and social science; 8.7 percent went to the arts; and 1.1 percent went to environmental causes.

Higher education and arts and culture are often viewed as the big beneficiaries of corporate largesse. Earlier we noted that corporate contributions were estimated at 5.6 percent of total contributions in 2003. The Council for Aid to Education (2004: Table 1) reported that corporate giving accounted for 18.0 percent of all donations to higher education in 2003, the same as in 1998 and 2002. The Theatre Communications Group (2004:23) reported that corporate donations accounted for 13.2 percent of contributions to 214 nonprofit theaters surveyed in 2003, up from 11.1 percent of contributions to 190 nonprofit theaters in 2002 (Theatre Communications Group 2003:17). The American Symphony Orchestra League (2005) reported that business and corporate foundation giving accounted for 15.6 percent of total support in 2003 and 15.2 percent in 2002. This was based on a survey of 192 U.S. League members that participated in the League's 2002–3 Orchestra Statistical Report survey and is extrapolated to America's 1,200 adult orchestras. Although these institutions are heavily dependent upon corporate donors for gifts, they have many other sources of revenue. Corporate donations accounted for only 1.4 percent of higher education expenditures in 2003 (Council for Aid to Education 2004), 5.7 percent of all theater expenditures in 2003 (Theatre Communications Group 2004:24), and 6.5 percent of all orchestras' expenses in 2003 (American Symphony Orchestra League 2005).

Several interest groups, such as the Capital Research Center (CRC) and the National Committee for Responsive Philanthropy (NCRP), have done research on the political orientations of nonprofits supported by corporations. CRC (Yablonski 2001) focuses on the grants by *Forbes* magazine's 250 largest publicly held firms to political advocacy organizations. They coded grant recipients on the basis of their Left or Right leanings. Based on their coding of these organizations and calculations, the forty-five corporations that gave $250,000 or more to public affairs groups in 1997 contributed $4.41 to tax-exempt groups that were sympathetic to the Left for every $1.00 they gave to conservative and free-market-oriented nonprofits (p. 3). NCRP (Paprocki 2000) reported on the grant-making of leading companies in fifteen selected industries in 1995; 124 of 217 firms participated. Their overall grants totaled $1.3 billion, 17 percent of all grant-making from American corporations (p. 6). They found that although racial and ethnic minorities constitute 29 percent of the U.S. population, only 14 percent of corporate giving went to programs where racial/ethnic minorities were the primary beneficiaries (p. 17). Insurance, gas/oil, and banking were the most generous industries that gave to racial/ethnic communities; the least generous were media and entertainment, personal care products, health and pharmaceuticals, and computers and related products (p. 20).

Other researchers have studied who gives to whom in different communities. In the three southern California communities he studied, Nevarez (2000) found that entertainment firms funded environmental groups that were more Leftist-leaning, while software and entertainment firms funded higher education, which was a partner in developing information technology and training programs. Firms that were dependent upon the local infrastructure—for example, banks and the hospitality industry—supported more-traditional charities like the United Way and Boys and Girls Clubs. Nevarez argued that economic restructuring may be leading to a weakening of the political hegemony of local businesses (the "growth machine") and the emergence of coalitions between newer industries and local nonprofits. Studies in Minneapolis–St. Paul showed that status and networks played a big role in explaining which nonprofits corporate donors supported. Galaskiewicz and Rauschenbach (1989) found that corporations were more likely to give to cultural organizations that had their executives sitting on the board of directors or a more prestigious reputation. Studying a broader range of nonprofits, Galaskiewicz (1985) found that nonprofits received more corporate funding if more full-time giving officers among local firms recognized and thought highly of the nonprofit, and Galaskiewicz and Wasserman (1989) found that nonprofits were more likely to receive a donation from a firm if either they were well regarded by local elites, their own board had interlocks with nonprofits that received funding from that donor in the past, or they received funding in the past from donors who had ties to the donor.

Strategic Collaborations

Strategic collaborations are a second type of corporate-nonprofit partnership. We consider event sponsorships and donations of product/equipment to nonprofits. Here the company is hoping to realize direct, exclusive benefits from giving cash or products to nonprofits, but often firms have a

social welfare purpose as well. On the one hand, these collaborations are quasi-charitable, because in most instances expenditures can be deducted as charitable contributions (Kahn 1997:669; Knauer 1994:67–71), and they further the missions of the nonprofit partners. On the other hand, they are quasi-commercial, because the firm is seeking direct benefit. Marketing departments often handle sponsorships and equipment donations, and giving is often decentralized; for example, each division has its own marketing department and sponsorships often happen at the plant or store level, but it is not uncommon for marketing, community relations, and foundation staff to work together on projects.

Corporate spending on sponsorships of all kinds is considerable, although it is difficult to know exactly how much is spent on nonprofits. IEG, Inc. (2003), a research and consulting firm, estimated that the value of sponsorships in North America may reach $11.1 billion and worldwide $28.0 billion in 2004. They also presented a chart on the likely distribution of sponsorship spending in North America in 2004. Sixty-nine percent should go to sports, 10 percent to entertainment tours and attractions, 7 percent to festivals, fairs, and annual events, 9 percent to cause marketing, and 5 percent to the arts. A company example is General Motors' ten-year sponsorship of the Olympics, worth roughly $900 million (Meredith 1999). An example on the nonprofit side is the Roundabout Theatre Company in New York, which sold the naming rights to its new theater to American Airlines for $8.5 million and to its lounge to Nabisco for $500,000 (Pogrebin 2000).

In event sponsorships, typically the company pays an amount of money to the nonprofit in exchange for the right to display its name, logo, or products at some event, on the premises, or in conjunction with some program of the not-for-profit. Sponsorships can range from paying for a theater season or concert series, purchasing naming rights to buildings, buying "tents" at golf tournaments, funding mega-events such as the Olympics, to supporting Little League baseball (see Caesar 1986 for other examples). Nonprofits can treat sponsorships as contributions if they only give the sponsor visibility and do not actively promote the company or its product (Internal Revenue Service 2001b; U.S. Department of Treasury 2002). In her study of media sponsorships, Bryan (1991) showed that companies seek to gain credibility by borrowing legitimacy from the event or cause. Thus firms are careful that the event and nonprofit fit with the firm, controversy is avoided, and audiences see the sponsorship. The focus is usually on the event—which is supposed to be fun—rather than on the problem that, in most cases, is serious.

Not all sponsorships go smoothly for corporations. For example, sponsors can lose control over the event, which results in negative publicity. In their case study of Hands Across America (which happened on May 25, 1986), Post and Waddock (1989) described how there was considerable criticism in the media in the weeks following the event, although it raised more than $25 million and netted $16 million. Critics focused on how slowly the money was distributed, how regions and locales were getting less back than they donated, and how none of this really reduced hunger or homelessness. The authors speculated that this may have been due partly to the huge business marketing presence that gave the event more of a commercial flavor than a social cause and raised suspicions among many.

A second type of strategic partnership is the donation of product or equipment to nonprofits in such a way that prospective customers are exposed to the product while it is being utilized for related purposes. Numbers on product donations are difficult to come by and not all have marketing implications. The *Chronicle of Philanthropy* (Greene and Williams 2002:7) reported product giving of $377 million, $288 million, and $283 million by Pfizer, Bristol-Myers Squibb, and Merck and Company in 2001. Microsoft and IBM gave away $179 million and $92 million, and Safeway and Kroger Company gave away $60 million and $52 million respectively. In a comparative study of large manufacturers the Conference Board found that pharmaceuticals, chemicals, and printing, publishing, and media were, by far, the largest donors of non-cash gifts in 2003 (Muirhead 2004).

Why the large number of product contributions? Partly this is due to changes in the law. Under the Economic Recovery Tax Act of 1981, manufacturers could deduct as charitable contributions the cost of the equipment donated plus half of the difference between the cost and selling price of the equipment, if they give the equipment to educational institutions and the latter uses it as scientific equipment or apparatus (Useem 1987:352). Several computer companies, for example, IBM, AT&T, Apple, and Hewlett-Packard, took this opportunity to donate considerable inventory to colleges and universities. In 1997 corporations that made computer technology or equipment could also get an expanded deduction for gifts to elementary or secondary schools (Greene and Williams 2002:16). A similar deduction is available for those wishing to make contributions to nonprofits that benefit infants, the needy, and the ill (Useem 1987:352), which applies to in-kind donations of pharmaceutical firms and food companies especially.

While computer companies rationalized these gifts as part of their philanthropic commitment to higher education, Joyce (1987) argued that in reality there were many direct benefits that they hoped to realize, for example, access to leading-edge researchers and prospective employees and opportunities to experiment with new operating systems and software, cultivate relations with prospective institutional customers, and wean future individual customers on their products. A decade later the *Chronicle of Higher Education* made similar observations about the benefits of Microsoft's product donations to colleges and universities (Guernsey 1998). When five drug companies pledged to donate millions of dollars' worth of medicine, health services, and other support to poorer countries (including Africa) hit hard by the AIDS pandemic, critics charged that this was a way to deflect world criticism and avoid cutting prices or allowing wider use of generic copies of their drugs (Blum 2000b:10).

Few doubt that many product donations are expected to produce direct benefit to the firm; however, others, for example, donations of unsold food to food banks, probably do not.

One recurring problem with sponsorships and product/equipment giveaways is that it is difficult to measure direct benefit. How do managers assess value? Is brand recognition enough, or does one measure sales? An issue of the *Journal of Advertising Research* (Kover 2001) addressed these questions and showed how to measure success or failure of event sponsorships, looking at changes in stock prices (or returns) and responses to survey questionnaires. Yet Dean (1999) argues that the link between the sponsor and the event and the sponsor's product and the event is often not obvious to the consumer. For example, in his research he found that sponsorships affected only consumers' perception of the firm's citizenship, but had little effect on perceptions of product quality and uniqueness or brand esteem. The difficulty of measuring effects is reflected in a survey of nearly 200 leading sponsorships' decision-makers in March of 2001. The IEG (2001) found that "72 percent reported they allocate either nothing or no more than 1 percent of their sponsorship budget to concurrent or post-event research. . . . more than three-quarters spend $5,000 or less per deal on external research prior to making sponsorships decisions" (pp. 1, 4). Sponsors relied heavily on the organizations they sponsored for information on demographics, psychographics, attendance figures, and growth trends, but these data do not tell if people's attitudes toward the brand were affected or if they intend to buy the product.

There are many other varieties of strategic partnerships, but the one thing they all have in common is that there are mixed motives. For example, Kotler and Lee (2005) describe "corporate social marketing" where firms will partner with nonprofits and/or governments on a campaign to change behavior that will have larger welfare benefits, for example, water conservation or a reduction in tooth decay. The firm utilizes its marketing power to bring about a change in behavior, but this directly helps to promote one or more of its product lines, for example, water-saving devices or toothpaste. There is also "venture philanthropy" where donors/investors (often high-tech entrepreneurs) will target nonprofits for support and help them to launch businesses or other revenue-generating programs. Sometimes the transfers are in the form of low- or no-interest loans that the fund expects to be repaid; sometimes they are grants. Many seek a seat on the board of directors and demand measurable indicators of progress, but it is not clear if venture philanthropists make money off the deal (for examples, see Billiterri 2000; see also Letts, Ryan, and Grossman 1997; Frumkin 2003). Dees (1994, 1998) describes "social enterprises"—which could be nonprofit or for-profit organizations—that seek to accrue revenues through commercial ventures but also have an interest in making society better. The social enterprise authors argue that serving society and the bottom line are equal for many for-profits and nonprofits, and partnering in commercial ventures is an excellent way for these organizations to live up to their dual mission. Again, in all these examples, motives are mixed. Companies have an immediate interest in their "bottom line," but they also are interested in furthering the mission of the nonprofits they collaborate with.

Commercial Collaborations

Commercial collaborations are a third type of corporate-nonprofit partnership. We focus on cause-related marketing, licensing of names and logos, and scientific collaboration, but there are many other examples (see Weisbrod 1998b; Weeden 1998; Pankratz and Gibson 1999; Austin 2000a, 2000b; Schwinn 2000; Guthrie and McQuarrie 2003). In these partnerships companies again are looking for direct and exclusive benefits, but now benefits are relatively easy to measure and there is little expressed concern about social welfare. The nonprofit partner hopes to use the funds from these commercial enterprises to subsidize its related program service activities, but the activity itself is unrelated to the mission. Thus it is relatively easy for the nonprofit partner to measure benefits as well. This type of partnership has garnered a great deal of attention recently, because of the scope of the dollars involved and the forms that it is now taking in practice. Often partners form new joint ventures that are for-profit legal entities that sell ownership shares and enjoy limited liability, yet each partner—and its respective mission—remains intact. Weisbrod (1998b:2, 6) describes multimillion-dollar deals between the American Medical Association and Sunbeam, Chicago's Field Museum of Natural History and McDonald's and the Walt Disney Company, and the University of Michigan and Nike. Weeden (1998:3–4) described deals between the American Red Cross and Primestar, the Jane Goodall Institute and HBO, the American Society for the Prevention of Cruelty to Animals and the Walt Disney Company, Save the Children and Denny's, and the All Kids Foundation and Tyco.

In cause-related marketing, a company chooses a cause, charity, or nonprofit organization to adjoin itself to and advertises this newly formed partnership (Varadarajan and Menon 1988; Andreasen 1996). Both parties benefit, because typically the firm gives a percentage of sales to the nonprofit, and the company increases sales because of its association with a credible nonprofit (Garrison 1990). That some charity receives a percentage of the sales supposedly induces the customer to patronize the vendor. A variant on this is the affinity card program. Here a bank offers a credit card with a nonprofit's name and logo on it and then markets the card to the organization's members. The organization is promised a percentage of the total sales as the customers use the cards (Williams 1999:49). Leder (2002:8) reports that more than 1,000 colleges and universities offer affinity cards and MBNA, the leading provider, has three million alumni from 700 schools carrying their card. Some schools have expanded their programs, offering special rates on checking accounts, mortgages, and insurance to alumni.

Another variant is the shopping Web site, for example, 4Charity.com. Here a company creates online shopping sites

that may allow shoppers to designate a portion of their purchases for charity, for example, food to hunger organizations. Sometimes the retailer will promise to match the donation. In almost all cases the Web company will split the affiliate fees it receives from retailers with participating charities (see Moore and Williams 1999; Fix 2001). Varadarajan and Menon (1988) found that companies they surveyed paid for cause marketing from advertising or sales promotion budgets (see also Andreasen 1996). More recently, a survey of 211 companies released by Cone, Inc., found that in most firms the majority of the money spent on cause-related programs came from the corporate giving program or corporate foundation (Blum 2000a). On the nonprofits' side the income is generally exempt from unrelated business income tax.[12]

Several case studies and surveys have demonstrated that cause-related marketing works well for both parties. The American Express Corporation's partnership with the Statue of Liberty in 1984 was the most visible example. Card usage increased 28 percent over the previous year, the number of new cards issued rose 45 percent, and the Statue of Liberty restoration fund received $1.7 million from American Express (Wall 1984). Other research has shown that cause-related marketing increases public awareness of the cause (Garrison 1990), expands the organization's base of support, and generates a more positive image of the nonprofit among the public. Hemphill (1996) describes how environmental groups have formed a number of successful marketing partnerships with businesses. Cone, Inc. (2000), released a five-year study done by Roper-Starch Worldwide that showed that by 1998, 74 percent of consumers thought that cause programs were an acceptable business practice (up from 66 percent in 1993), 83 percent had a more positive image of companies who supported a cause they cared about (compared to 84 percent in 1993), 65 percent said they would switch brands and 61 percent retailers, in order to be associated with a good cause (compared to 66 percent and 62 percent in 1993), and 87 percent of employees at companies with a cause program felt a strong sense of loyalty to their employer as opposed to 67 percent of those whose employers did not have such a program.

Not all cause-related campaigns are successful. In their study of medium-size firms that gave to the arts, File and Prince (1995) found that less than a third of those that had developed cause-related marketing programs described themselves as very satisfied with the outcomes (see also File and Prince 2000). Mescon and Tilson (1987) warned that firms and their causes become highly dependent upon and accountable to one another in a joint marketing initiative. Worse still, at the turn of the century many dot-com companies that hoped to make money by partnering with nonprofits on online shopping malls have gone out of business, and returns to nonprofits have been far lower than expected (Fix 2001).

The licensing of the names and logos of nonprofits is a second type of commercial partnership and has been the most controversial.[13] As described by the New York Attorneys General (1999:3), "The nonprofit organization agrees to sell the right to use its name and logo in the promotion of the commercial sponsor's products. In return, the commercial sponsor pays the nonprofit organizations substantial amounts of money for the use of the nonprofit's name and logo in product advertising and through its marketing campaign provides significant publicity for the nonprofit and its message." The same Attorneys General report said that in 1998, businesses paid more than $535 million to nonprofit groups alone for the use of their name or logo in advertising products (1999:7). Much of the activity is carried out in the health-care sector with the American Medical Association's proposed agreement with the Sunbeam Corporation in 1997 as the prototype of how controversial these arrangements can get. In this case the AMA agreed to have its name mentioned in Sunbeam marketing materials and ads for various products and its seal was to appear in advertising and on product packaging, but it had not tested or evaluated any of the products involved and thus was not in a position to say that Sunbeam products were superior to others. Because of the outcry surrounding the announcement of the deal, the AMA reneged on its contract and ended up paying Sunbeam $9.9 million for damages and expenses (pp. 18–19). Yet since then numerous health organizations have endorsed company products, most with exclusive agreements (see New York Attorneys General 1999:8).

The Attorneys General have concerns, because advertisements like these can lead the consumer to believe that the product has been endorsed and/or tested by the nonprofit and was shown to be superior, when only the nonprofit's name is somehow identified with the product in the ad but no product testing has been done nor has it been endorsed by the nonprofit. Also, consumers can be led to believe that, like in cause-related marketing, the advertiser will make a contribution to the nonprofit if the consumer buys the product, but there is often no agreement to that effect. There is also the issue that the advertiser seldom mentions in the ad that it paid the nonprofit for the use of its name and logo and that the nonprofit has agreed not to enter into a similar agreement with a competitor (p. 1). The Attorneys General warn that companies and nonprofits should ensure that they address these issues or risk being in violation of state consumer laws (p. 4).

Scientific collaboration is another type of commercial partnership. One form that this takes is the research park (or science park or technology park) or technology incubator. Companies become tenants of the park with the expectation that close proximity to a university, its people, and resources and other high-tech firms will ease technology transfer (see Klein 1992 for specific examples). Research or technology parks can be nonprofit or for-profit, owned by a university or a university-related entity, or owned by a non-university entity but have contractual relationships with a university (Association of University Related Research Parks 1991: iv). In technology incubators the emphasis is on small, entrepreneurial businesses who are in close proximity to a university or research institute and share support services—for exam-

ple, financing, marketing, and management. The success of these partnerships depends upon the faculty working with tenants on research of common interest and business's ability to turn scientific knowledge into marketable products.

Another form of scientific collaboration is the joint venture or limited partnership.[14] Universities are now able to claim exclusive commercial rights to their discoveries and to sell or license the patent to those discoveries to companies for further development (Merrifield 1992:56). The company pays for the rights to the patent, and sometimes this is accompanied by a contribution.[15] In exchange the university (and/or faculty) obtains royalties and at times an equity position in the firm (Merrifield 1992:56). The *Chronicle of Higher Education* (Blumenstyk 2003) reported that 142 institutions of higher learning earned more than $827 million in royalties and other payments from licenses on inventions developed by researchers at their universities in 2001. This amount was lower than the $1 billion earned in 2000 but greater than the $641 million earned in 1999. In 2001 Columbia led the pack with $129 million in royalties, followed by MIT with more than $73 million in revenues.

In response to the growing collaboration between universities and industry, legislation was passed that legitimated and encouraged the leasing and eventually the selling of patents by universities and other nonprofits to commercial enterprises. Powell and Owen-Smith (1998:171) cited the 1980 Patent and Trademark Amendments (Public Law 96–517, also known as the Bayh-Dole Act). This was followed by Public Law 98–620, which allowed universities to sell their property rights to others, the Stevenson-Wydler Act of 1980 and its 1986 amendments, the Cooperative Research Act of 1986, the National Competitiveness Technology Transfer Act of 1989, and the 1993 "defense conversion initiative" that opened defense-related research to commercialization (p. 172). While firms do not treat fees to acquire licenses or dividends paid to nonprofit equity partners as charitable contributions, Congress explicitly excludes this form of income to universities from the tax on unrelated business income (Internal Revenue Service 2000:9).

Political Collaborations

While most of the recent literature on nonprofit/for-profit collaboration has focused on strategic philanthropy and economic benefits, many of the partnerships between firms and nonprofits, both domestically and in the international arena, have important political meaning. Many observers are uneasy with this. Friedman's (1963) admonition that the business of business is business was based on his understanding that corporate social responsibility puts firms in an awkward position. "If businessmen do have a social responsibility other than making maximum profits for stockholders, how are they to know what it is? Can self-selected private individuals decide what the social interest is?" (p. 133). Clearly, deciding on the "social interest" is a political decision that takes business beyond business. Any community relations officer who was enmeshed in the Planned Parenthood controversy in the late 1980s and early 1990s or was attacked by the Capital Research Center or the National Committee for Responsive Philanthropy or the target of a corporate campaign by a union or non-governmental organization (NGO) will acknowledge the broader political significance of their work (see David 1993; Himmelstein 1997; Levy 1999; Manheim 2001). Nonprofits are involved in the political process in a number of different ways and, by implication, so are their funders.

Often, in the course of supporting nonprofit organizations, companies seek to further their own political agendas. Haley (1991) argued that as "corporate masques," corporate contributions are often politically proactive, strategic, and instrumental (pp. 486–87). Managers use contributions to capture the attention of key stakeholders, mime messages by symbolically transmitting corporate interests to other stakeholders, and vend values by institutionalizing them in society (p. 487). This not only can help to assure audiences and legitimate the firm, as Kamens (1985) argues, but can also alert audiences to corporate power. The messages can be business- or industry-specific (e.g., the case of the tobacco industry), or they can articulate politically charged, ideological positions. Political conservatives in the 1970s, such as Irving Kristol and William E. Simon, encouraged companies to support nonprofits that were pro-business and abandon those that pursued anti-business agendas (National Chamber Foundation 1978). The Capital Research Group voiced similar views in the 1990s and 2000s.

C. Smith (1994b) labeled this approach to giving "policy marketing." For example, companies will mix lobbying funds with donations to garner grassroots support for various social and political causes or to support nonprofits with different political agendas. Smith cites the case of Binney & Smith (p. 111), the maker of Crayola crayons, who advocated for state funding of arts in education, bike manufacturers donating to nonprofits pushing for more bike trails, and insurers who contribute to public-interest coalitions pushing for the liberalization of industry controls. Policy marketing would also include contributions to educational nonprofits that have thinly veiled political agendas. Many 501(c)(3)s that have "education" as their purpose often engage in advocacy and lobbying.[16] In the 1990s there were also "politicized philanthropies," for example, Newt Gingrich's Progress and Freedom Foundation, which funders supported in an effort to curry political favors (Kahn 1997:645). Policy marketing also includes support of public policy institutes that do research and formulate policies that affect business interests, for example, The American Enterprise Institute, The Brookings Institute, The Heritage Foundation, The Urban Institute, and The Progressive Policy Institute.

Himmelstein (1997) offers a somewhat different view on policy marketing. Rather than viewing it as an exercise in naked political influence, he saw this kind of philanthropy as a tactic that companies used to establish relationships with various social institutions rather than a strategy to intimidate or push a specific agenda. Rather than being vehicles to further conservative or liberal ideologies, these gifts are to pro-

vide access to think tanks, politicians, advocacy groups, and other potential "players." As in the case of PAC contributions (Clawson, Neustadtl, and Scott 1992), many companies view philanthropic contributions as a tactic to become credible and ensure that the firm and its interests are taken into account when policies are formulated or decisions are made. Instead of pushing an ideological position, giving is a political tactic to gain access to decision-makers.

The political significance of business/nonprofit collaborations is perhaps most clear in the international arena. According to the Conference Board (Kulik 1999), corporate citizenship at the global level has begun to move beyond simple philanthropy to such concerns as sustainable development, human rights, and the quality of life within host countries. In the wake of the September 11th terrorist attacks, the Conference Board (Vogl 2002) raised the question of whether today's multinationals have a role to play in ending world hunger, seeking social justice, and redistributing wealth. Corporations were not responsible for the attack, but they probably contributed to the anger and frustration around the world at how globalization was playing itself out. While one might applaud the Conference Board for chastising U.S. companies to be more socially responsible, critics have long argued that multinational corporations (MNCs) have done a great deal to destabilize the global community and need to recognize their broader responsibilities.

The pressure on firms to engage in global citizenship initiatives actually began in the 1990s, well before 9/11 (Waddock, Bodwell, and Graves 2002). Corporate executives, especially in Europe, had begun to recognize that they were partly the cause and partly the solution to social welfare, environmental, and political problems at home and globally. As a result, many businesses began partnering with the United Nations, governments, and civil society organizations in constructive ways (Nelson 2002). With the increasing global scope of environmental and human rights activists, the popularity of the "global citizen," global business dependencies, distrust of business abroad, and global media coverage, companies had to go beyond just avoiding corrupt and exploitive behavior and move toward reconsidering their responsibility to stakeholders. Corporate disasters, such as Union Carbide's gas leak in Bhopal, and political scandals; Shell's Nigerian crisis and Unocal involvement in Myanmar, and labor practices; Nike's below-living-wage issues in Indonesia; and the Kathie Lee/Wal-Mart sweatshop debacle in Honduras (Schwartz and Gibb 1999; Herbert 1997), are no longer localized. Corporate images suffer not only in the countries directly harmed but also among consumers internationally. Thus, being part of the solution becomes an essential part of corporate strategy.

As NGOs have evolved on the international scene, from serving solely as disaster and welfare relief organizations to promoting self-reliance and eventually becoming "catalytic facilitators" (Bendall 2000), NGOs and MNCs have at times become collaborators. NGOs do not only serve as the "watchdogs of globalization" (Roddick 2000) on the international level, but also act as facilitators, consultants, and information channels that open dialogues between corporations and the local communities. Many NGOs see the potential benefits of partnering with MNCs and view them as potential levers for promoting global human rights (Rodman 1998; Winston 2002). NGOs can also be very useful to companies. MNCs operating in host countries will rely on NGOs to help them build intellectual, social, and reputation capital and subsequently increase their legitimacy in the local environment and reduce their corporate risk (Bendall 2000). The best partnerships bring about meaningful institutional change and reverse corporate abuses. For example, Bartley (2003) described how this cooperation helped to create private regulatory regimes in the apparel and food products fields. In essence NGOs certify companies based on their social or environmental performance and thus contribute to human rights and sustainable development.

Yet often NGOs are adversaries as well as partners. Rodman (1998) cites examples of how human rights groups' activities in Burma (the Free Burma Campaign pressure against PepsiCo) and Nigeria (activists' pressure against Royal Dutch Shell sparked by the execution of Ken Saro-Wiwa) directly reformed corporate behavior through moral shaming, boycott and divestment, and shareholder activism. With their growing power, NGOs can strongly influence corporate behavior through both positive and negative relations. As global watchdogs, through cooperative and associational relations (Rodgers 2000) and using their powerful transnational advocacy networks (Keck and Sikkink 1998), NGOs have developed ways to get the attention of corporate executives. NGOs are establishing and disseminating benchmarks, standards, and codes of conduct for corporate behavior and putting pressure on MNCs to choose whether they will lead or follow in their international business practices (Rappaport and Flaherty 1992). They pressure MNCs through activities such as auditing MNCs and mobilizing shareholders, organizing boycotts, pushing for divestment, and moral shaming (Winston 2002). NGOs cannot legally enforce or command specific standards, since they do not have the power of nation-states, but they can rely on *inducements* by "creating penalties for socially irresponsible behavior that cause firms to redefine what they consider to be profitable" (Rodman 1998:38). NGOs do not have to make the choice of either in either positive or negative reinforcement modes, but rather their activities can fall on a continuum somewhere between the two ends of the spectrum (Turcott 1995; Winston 2002).

Companies will not abandon the "bottom line" or strategic philanthropy, but they will be called upon to take a leadership role in solving social and environmental problems, to be transparent and reveal to others their environmental and social performance, and to live by an accepted standard of corporate social performance and accountability that does not exploit power advantages (Muirhead 1999:49–56). As American multinationals enter the new millennium, in the wake of phenomenal growth and success followed by recession, 9/11, and a wave of corporate accounting scandals, they are once again examining their social responsibility and

citizenship roles. We do not expect that companies will enthusiastically embrace an active citizenship role, especially in the international arena, since it draws them into real politics, which is fraught with uncertainty and danger. Nevertheless, business's stakeholders expect—indeed demand—that firms behave in a moral and ethical manner and will pressure them to act accordingly.

The purpose of the chapter was to describe and understand four different types of corporate-nonprofit collaborations. Specifically, we focused on philanthropic, strategic, commercial, and political collaborations. From all indications there is considerable enthusiasm—on both sides—for all four types of partnerships. It is safe to predict that all four types of collaboration will continue to flourish into the twenty-first century.

Economics alone does not explain companies' participation in these partnerships. Nonprofits are expected to pursue activities that benefit the collective good or further the public interest, but firms are also doing things that affect social welfare. Regardless of the pressure on firms to measure results and prove direct benefit, companies engage in collaborative efforts for which there is little measurable return and that have strong moral overtones. For some this is heartening; for others it is frightening. Being involved in social welfare or the public realm is a political act, and some feel that companies have too much political power already. At the same time, nonprofits are seeing corporations as prospective business partners, and not just donors, who can help them upgrade their operations and earn greater revenues. Companies are not simply well-heeled benefactors. Before we conclude, we want to point to some unresolved issues that cut across all four types of collaboration and that researchers as well as interested citizens should be paying attention to.

First, collaborations are fraught with organizational problems and do not always succeed. The more integrative the collaboration becomes—that is, when nonprofits and businesses jointly engage in activities that involve personnel and resources of both partners (Austin 2000a:26)—the more difficult the collaboration. Austin (2000a) described the ways that fifteen for-profit/nonprofit integrative collaborations came about and evolved over time, and Berger, Cunningham, and Drumwright (2004) studied eleven close relationships among for-profits and nonprofits (see also Sagawa and Segal 2000 and London and Rondinelli 2003 for a discussion of partnering problems). The authors cited several issues that need to be addressed. The partners often have different ends (Austin 2000a). Also, partners must try to mobilize the resources of the other actor to jointly create value for both, and this is often difficult. Austin and Berger and associates agreed that partnerships, where partners' values and structures are congruent, are more likely to be successful. Berger and colleagues also noted that nonprofits and for-profits have many misconceptions of one another, styles of decision-making are often different, often there are feelings of inequity, sometimes partners misuse their power, and mistrust can undermine collaboration. Austin claimed that the personal involvement of top leaders was important in creating interorganizational trust and communication. He also suggested there need to be management structures in place that specify the duties and responsibilities of partners and ways of keeping partners accountable. Both studies agreed that organizational learning was essential and that without efforts to renew the partnership, failure was likely.

Second, we need to know more about the benefits and costs of collaborations for nonprofit partners. There is little or no theory in the nonprofits literature that tells nonprofit managers when it would be strategically advantageous to enter into one type of collaboration or another. For example, the nonprofit KaBOOM!, whose purpose is to build and renovate playgrounds for children, engaged in philanthropic, strategic, and commercial collaborations. KaBOOM! received grants from a wide variety of corporations through their philanthropic partnerships; KaBOOM! also had strategic philanthropy partnerships with numerous corporations, such as Home Depot, whose activities ranged from sponsoring events, making in-kind donations for playground building materials, and promoting and supporting their employees' involvement in volunteering their time to build the playground; and finally, KaBOOM! was also involved in commercial partnerships with companies, such as Ben and Jerry's, who had created the ice cream flavor "Kaberry KaBOOM!" from which a percentage of the proceeds were donated to KaBOOM!. KaBOOM! made no effort to downplay their corporate partnerships and, in fact, went so far as to promote cause-related marketing and their corporate sponsors on their Web site (www.kaboom.org). Yet should we conclude that "the more the merrier"? At what point do collaborations result in diminishing returns to nonprofits?

Indeed, nonprofits can realize many benefits from these collaborations. Cause-related marketing, licensing names and logos, licensing patents to firms, subcontracting with for-profits, and collaborations produce revenues that nonprofits can use to subsidize their related program service activities. There is also the possibility of technology transfer, and for-profits' investment in nonprofits' infrastructure can greatly strengthen the capacity of the nonprofit partners. These partnerships can also enhance human capital. In their research on the effects of industry-university relations in the field of biotechnology, Blumenthal et al. (1986:13) found that "Biotechnology researchers with industrial support publish at higher rates, patent more frequently, participate in more administrative and professional activities and earn more than colleagues without such support."

There are potential costs as well, not the least of which is mission drift (see Young 2001). In the course of the collaboration nonprofits may come to emulate the management style and the goals of the for-profit partner. The transformation may come about because the nonprofit partner is trying to show that it is worthy of an "investment" or asks consultants or trustees to help the organization solve some problem, or the board pressures the organization to change. With prominent managerial gurus such as Philip Kotler (Kotler and Andreasen 1996) and Michael Porter (Porter and Kramer

1999) and the Peter F. Drucker Foundation for Nonprofit Management advocating that nonprofits adopt the best practices and strategies of the for-profit sector, many nonprofits feel pressured to adopt the business model. While this can be beneficial, it can also result in mission drift where the organization loses sight of its tax-exempt purpose and focuses on commercial activities and cost-saving measures.

Although empirical work has not looked much at the relation among collaboration, managerial style, and mission drift, there is evidence that the business model can create problems for nonprofits.[17] Powell and Owen-Smith (1998:189–90) talked about the close ties between universities and industry and the resulting conflicts between faculty and universities over control over research results and changes in university culture. Bowie (1994) described the ethical issues surrounding commercial partnerships between universities and industry. Hall (1990) described the conflict between board members who tried to make a social-service nonprofit more businesslike and staff that tried to protect the mission. Galaskiewicz and Bielefeld (1998) found that over time nonprofits that utilized more managerial tactics tended to have more disagreements internally.

One source of these problems is the different cultures within for-profits and nonprofits. Weisbrod (1998a) pointed out that for-profits and nonprofits operate under different legal rules and the privileges accorded to nonprofits are based on the assumption that they are "different" from for-profits. Firms are characteristically profit maximizers and do things to enhance profits; nonprofits typically are bonoficers and engage in activities that have some socially desirable end (p. 74). Albert and Whetten (1985) argued that the identities (or cultures) as well as the goals of utilitarian (for-profit) and normative (nonprofit) organizations are different. Decisions are legitimated using different criteria, information and ideology play different roles, and members want different things from the organizations. Brower and Shrader (2000) studied nonprofit and for-profit boards of directors and found little difference in moral reasoning but very different ethical climates: more egoism in for-profits, more benevolence in nonprofits. If business culture threatens nonprofit culture, conflict is surely to arise as the latter fends off the threat.

There are other potential costs associated with business/nonprofit partnerships. For example, collaborations dramatically increase environmental uncertainty and complexity, and decisions made at the level of the collaboration can be very disruptive for the nonprofit (Stone 2000:110–11; see also O'Regan and Oster 2000). In university-business partnerships boundary spanning personnel (e.g., a director of technology transfers) are often necessary to monitor the relations with industry and anticipate contingencies (e.g., product liability, sublicensing, further product development by the licensee, and so on) (see Montgomery 1992). Weisbrod (1998b:2) cites examples of cross-sector partnerships where they undermined nonprofits' legitimacy—for example, the American Medical Association's proposed endorsement of Sunbeam Corporation products in exchange for royalties tied to product sales. The Attorneys General report warns that commercial-nonprofit marketing alliances could jeopardize nonprofits' most important assets—the integrity of their names and reputations—and the trust that people have in these organizations (NYAG 1999:4).

There are also possible social costs associated with for-profit/nonprofit collaboration. For example, collaboration based on gaining commercial advantage is different from collaboration aimed at finding solutions to common community problems. The nonprofit, in collaboration with a for-profit partner, selects problems to address that are potentially profitable but may not be critical to the community. That is, problems that have no potential monetary payoff are ignored. Many authors raised this issue with respect to cause-related or joint venture marketing (Barnes 1991; Caesar 1986; Mescon and Tilson 1987). Furthermore, Marx (1997) found that companies that engaged in strategic philanthropy (i.e., linking giving to the strategic goals of the firm) tended to give a lower percentage of their total direct company contributions to United Way, a community-wide cause, because the UW does not allow donors to target their giving and thus further corporate business goals. Krimsky, Ennis, and Weissman (1991:283) suggested that scientific communication may be impeded when many different firms are represented within one university or within a single department (see also Blumenthal, Gluck, Louis, Stoto, and Wise 1986). Krimsky et al. (1991: 284–85) also cautioned that commercial ties could put a strain on peer reviewership (where scientists are on their honor not to pilfer new ideas) and undermine the current system of science. At a more macro community level, extensive involvement of business executives in local nonprofits may increase support of the nonprofit sector—and may even help it grow—but it may also reduce the likelihood of others volunteering or participating in civic affairs (Marquis and Davis 2003).

In conclusion, it is safe to say that since Useem's (1987) review, there has been a blurring of the boundaries across sectors and an expansion of the interface between nonprofits and business. Companies and nonprofits are doing much more than traditional philanthropy. They have strategic, commercial, and political partnerships, which entail both benefits and costs for both parties and for the society as a whole. The lines separating the sectors appear to be blurred as nonprofits openly engage in commercial activities, and companies are drawn into quasi-political roles. The power differences between companies and their partners are still significant, yet even these differences are being neutralized as NGOs learn more effective tactics to bring pressure to bear on companies. From a research perspective, the blurring of boundaries makes studying corporate-nonprofit relations much more challenging inasmuch as the collaboration among the sectors is more complex, and one now needs to study donor, donee, government, and a host of third parties in order to have a complete understanding of the phenomenon.

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NOTES

1. See Knauer (1994) for an extended discussion of what qualifies as a charitable deduction under Section 170.

2. Although executive and employee volunteerism is extensive, we will not review the research on this topic. The chapter by Leete in this volume reviews the research on volunteers, and Korngold and Voudouris (1996) provide a review of the limited empirical work on corporate volunteerism and practice (see also Wild 1993 and Troy 1997).

3. It is important to remember that large companies dominate the discussion of corporate contributions. Examining the research results of Andrews (1952), McElroy and Siegfried (1985), and Morgan (1997), we learn that (1) smaller firms are much less likely to take charitable deductions, (2) among firms that take deductions, the ratio of contributions to pretax net income tends to be higher for medium-size firms, and (3) not surprisingly, large companies account for the bulk of corporate giving. Part of the reason for this is that in smaller, privately held firms the owner (or partners) will often make charitable donations out of their household income instead of corporate income for tax purposes (Thompson, Smith, and Hood 1993:48). Although the total amounts given by small firms are much smaller than the total amounts given by large firms, the involvement of small businesses in local community affairs is considerable and makes an enormous impact on neighborhoods, towns, and rural communities (see Besser 1998; Eckstein 2001).

4. For the sake of brevity, we focus on U.S.-based corporations doing philanthropy abroad, but we recognize the literature on Japanese philanthropy at home and in the United States (e.g., London 1991), British company philanthropy (Adams and Hardwick 1998; Campbell, Moore, and Metzger 2002), and studies of company giving to local causes by firms in other countries (e.g., Bennett 1998; Sánchez 2000; Sundar 2000; Brooks 2002).

5. It is important to keep in mind that product donations do not come from the foundation and the value of gifts of medicine, computer hardware and software, and food to causes outside the United States are therefore not counted in these figures.

6. Kristol (1982), Brion (1983), and Ostergard (1994) discuss some of the reasons for the emphasis in the 1980s on direct return.

7. Firms can also become slaves to their reputation. Silver (2001) showed that Chicago companies realized reputational gains from their support of the Chicago Initiatives (an effort to provide inner-city youth with summer recreation and employment), but community organizations, which legitimated the companies' claims of social responsibility, later forced firms to support broader poverty reforms by threatening to invalidate these claims.

8. The discussion of corporate philanthropic giving, profits, and performance is plagued by a number of methodological problems and design issues. Many of the authors cited above note these problems (see also Griffin and Mahon 1997; McWilliams, Siegel, and Teoh 1999; McWilliams and Siegel 2000). What constitutes long- and short-term benefits needs to be resolved, across studies different indicators of social responsibility are used, and corporate philanthropic contributions are only one indicator of social performance. Nonetheless, enough good studies have been done for us to question the link between firms' socially responsible behavior and financial performance.

9. The complement of the marginal tax rate is the price of a contribution because it represents the after-tax cost to the company of providing an additional dollar to the charity.

10. We had hoped to compare the Conference Board data that Useem (1987) presented (from Troy 1984), but the Conference Board reassigned recipients to different categories in 1999 thus making comparisons invalid (Kao 2001).

11. According to Muirhead (2004:41–42), "Civic and Community Activities" included community development, justice and law, housing and urban renewal, the YMCA/YWCAs and other neighborhood or community-based groups, state or local government agencies, regional clubs, and fraternal orders. The "Other and Unknown" category included U.S.-based international organizations (e.g., Care), sponsorships of special events other than cultural and arts events (e.g., the Olympics) and public broadcasting and media, public policy research organizations, faith-based groups, economic and business-related organizations, and donees that did not fall into the other categories. In a separate study, however, Hruby (2001:33) found very little corporate money going to faith-based groups as did Helland and Smith (2003:28).

12. See Knauer (1994:65) for a discussion of revenues from cause marketing. The IRS has attempted several times to make charities pay UBIT on revenues from affinity card programs, but, as of the writing of this chapter, the courts have rejected the IRS's argument and the revenues remain tax free (Ruth and Barnett 2003).

13. The Attorneys General of sixteen states and the District of Columbia Corporation Counsel published a special report on the New York Attorneys General (NYAG) (1999) Web site from which we draw much of our material.

14. Some of the better-researched examples of industry-university collaboration have been in the area of biotechnology. For a description and analysis of partnerships in this industry see Barley, Freeman, and Hybels (1992), Powell and Brantley (1992), Powell, Koput, and Smith-Doerr (1996), and Powell and Owen-Smith (1998).

15. Campbell (1996) showed that firms that had license agreements with universities were more likely to make charitable contributions to universities as well. He interpreted the charitable contribution as the "grease" that helped smooth over the rough edges of licensing contracts. Also, contributions were a way in which firms ensured that they had an inside track on developments at the university, e.g., pre-publication review of articles or reports.

16. Kahn (1997:654) notes that some nonprofits have created what she calls the "c3/c4 split." Legally two organizations exist—one exempt under 501(c)(3) and one under 501(c)(4)—however, in fact there is only one entity with the same offices, staff, and infrastructure. The only difference is that contributions to the former are tax deductible as charitable contributions, while donations to the latter are not. However, the latter is free to engage in unlimited lobbying activity.

17. Cause-related marketing is a prime candidate for such a study, but little empirical research has been done and there is only speculation on how cause-related marketing can create problems for nonprofit partners (e.g., Garrison 1990 and Andreasen 1996).

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