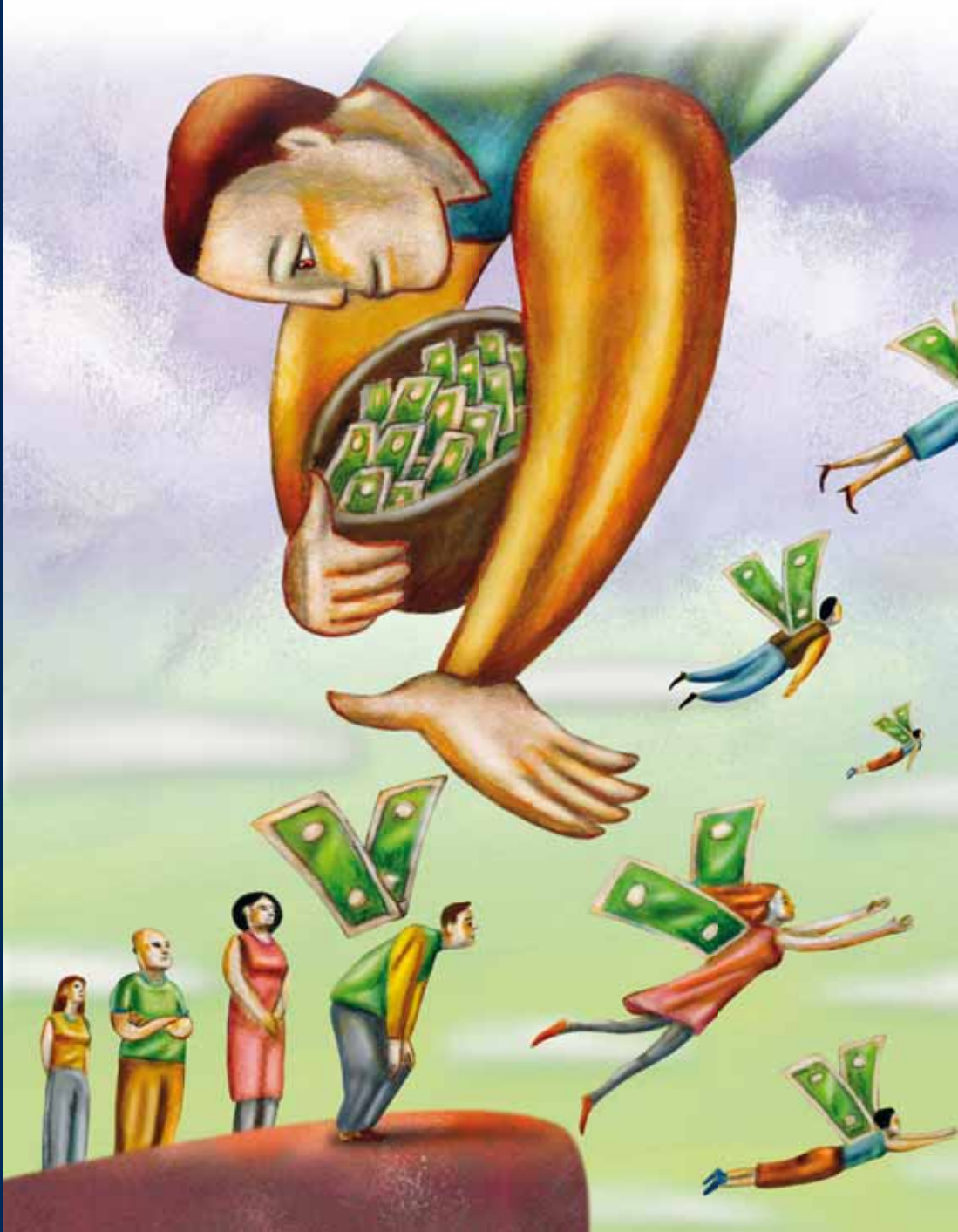


KELLIE LIKET

Why 'Doing Good' is not Good Enough

Essays on Social Impact Measurement



Why ‘Doing Good’, is Not Good Enough.

Essays on Social Impact Measurement.

Why ‘Doing Good’, is not Good Enough.

Essays on social impact measurement.

Waarom ‘goed’ doen, niet goed genoeg is.

Essays over maatschappelijke impact meeting.

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Kellie Cornelia Liket

born in Wehl, The Netherlands



Doctoral Committee

Promotor: Prof.dr. H.R. Commandeur

Other members: Prof.dr. L.C.P.M. Meijs
Prof.dr. P.P.M.A.R. Heugens
Prof.dr. R. Ruben

Copromotor: Dr. K.E.H. Maas

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Acknowledgements

Many of us are motivated to do a PhD because it provides us with the legitimacy to delve deeply into a topic, and thereby become a true specialist. For me, any specialization has been more of an inevitable consequence than a guiding motive.

Even as a child, I have been occupied intensely by questions of global inequality, and the moral value we attach to the lives of strangers. Why do we buy bottled water in countries where fresh water runs so freely from our taps if that money could buy a child a bed net that would protect it from being infected with malaria? And why do we donate hundreds of euros to the renovation of our city's concert hall if the money could be spent on preventing someone going blind because of trachoma by the age of 30?

For my first class in college, we had to read David S. Landes' book *The Wealth and Poverty of Nations: Why Some are So Rich and Some So Poor*. This was the start of my exploration into the fields of global development and international political economy. As others have first handedly experienced, this very exploration can easily leave one disheartened about our potential to create a more equal world. However, unlike many others, whilst at the London School of Economics, I was lucky enough to enter a development economics course taught by Diana Weinhold. By zooming in on rigorous (experimental) evaluations of development interventions, this course showed me that focusing on macro theories on whether aid 'works' causes us to ask the wrong questions. Instead, solutions lie in interventions that effectively improve the lives of people. Consequently, our efforts, I came to realize, are better spent on identifying which interventions achieve their desired impact, and ensuring that adequate resources are channeled to them. My obsession with effectiveness and impact evaluations was born. And again, fortune struck me when Dr. Karen Maas at the Erasmus University in Rotterdam shared my ambitions and warm-heartedly invited me to write my PhD thesis with her as my daily supervisor.

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Although writing a PhD thesis provides one with a great amount of ownership and flexibility compared to most other jobs, or maybe because it does so, I have needed and greatly enjoyed the support of my loved ones during the process. First of all, my sister Lonneke, thank you for your continuous support in helping me find the balance between my aspirations and my (growing) family life. My dear parents, you set quite a standard by telling me as a child that I would grow up to become Holland's first female prime minister. But I think I have finally understood your message. You recognized that it would bring me most joy to be endorsed in something that would contribute to a better, more equal world. Although becoming Holland's prime minister does not seem to be my path, I do hope to be able to meaningfully contribute to sound policy making, both in the Netherlands and beyond (whether by governments, philanthropists, corporations or NGOs). When it comes to policies that should advance the wellbeing of people, evaluating impact is the crucial first step to move from good intentions and intuition to evidence-based progress. As one of the most important evaluators of our time, Michael Quinn Patton (2008, p.16 and xviii preface), wrote:

“...as not everything can be done, there must be a basis for deciding which things are worth doing. Enter Evaluation.”

“...evaluation, at its best, distinguishes what works from what doesn't, and helps separate effective change makers from resource wasters, boastful charlatans, incompetent meddlers, and corrupt self-servers.”

In the next few years I hope to advance our ability to use the results from impact evaluations to perform (cost-effectiveness) analyses for policy makers to base their decisions on.

To my dear friends: (with the notable exception of Milou Klasen, Vera Schölmerich and Eline Bunnik) none of you have more than a vague idea of what on earth I have been doing these past few years (next to having lots of babies). Although this thesis is now in print, you probably still won't read much more than these acknowledgments. Don't worry; it does not affect my love for you, as long as you consult me when making your own personal attempts to contribute to a better world so they can be based on the best available evidence.

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Glossary

Attribution Analysis

A study that tackles the issue of attribution by identifying the counterfactual value of Y (Y_0) (the indicator of interest) in a rigorous manner. (Based on: White, 2010 and Ravallion, 2008).

Beneficiary

Individuals who are the direct and final recipients of programs, policies or organizations.

CP Corporate Philanthropy

The voluntary business of giving time, money or in-kind goods, without any *direct* commercial benefit, to one or more organizations whose core purpose is to benefit the community's welfare (Madden, Scaife, Crissman, 2006, p.49, Italics in original)

CSP Corporate Social Performance

The result of the actions taken by organizations in order to improve their impact on society. (Based on: Preston, 1988, Clarkson, 1995 and Carroll, 1991)

CSR Corporate Social Responsibility

The fundamental idea of 'corporate social responsibility' is that business corporations have an obligation to work for social betterment. (Frederick, 1986, p. 4)

DJSI Dow Jones Sustainability Index

A family of indices that track the stock performance of the world's leading companies in terms of economic, environmental and social criteria, serving as benchmarks for investors who integrate sustainability considerations into their portfolios, and providing an effective engagement platform for companies who want to adopt sustainable best practices. (Based on: <http://www.sustainability-indices.com/about-us/dow-jones-sustainability-indexes.jsp>)

Effectiveness

The degree to which something is successful in producing a desired result.

In the case of an organization, program or policy that aim to realize social change in accordance with a mission or set of goals, effectiveness is the advancement on that mission or on those goals (Based on Sheehan, 1996).

Evaluation

“To evaluate something means determining its merit, worth, value, or significance.” (Patton, 2008, p.5)

Evaluation Utility

“*Utilization-focused evaluation* is evaluation done for and with specific intended primary users for specific, intended uses. *Utilization-Focused Evaluation* begins with the premise that evaluations should be judged by their utility and actual use; therefore, evaluators should facilitate the evaluation process and design any evaluation with careful consideration for how everything that is done, from beginning to end, will affect use.” (Patton, 2008, p.37, italics in original)

Formative Evaluation

Evaluations with the purpose to improve and enhance programs instead of rendering judgment about them. (Based on Patton, 2008)

Impact (Social Impact)

The final effects at the causal chain (or logic frame). (Based on: White, 2010)

Impact Evaluation

There are two different schools of thought on what makes an evaluation an impact evaluation:

The first school of thought views an evaluation as an impact evaluation when an attribution analysis is used (please see ‘attribution analysis’ in this glossary of terms).

The second school of thought views an evaluation as an impact evaluation when ‘impact effects’ are evaluated, which generally are defined as those effects at the final level of the causal chain (or logic frame). (Based on: White, 2010).

Input

The resources used for a program, policy or organization.

Intended and unintended consequences

Intended consequences or effects are those effects that result from programs, policies or organizations that were explicitly aimed for. Unintended consequences or effects are also a result of programs, policies or organizations, but these are not explicitly aimed for. Both intended and unintended consequences or effects can be positive or negative, and can affect direct beneficiaries, indirect beneficiaries and society at large.

Mission

A statement that encompasses what an organization is trying to accomplish. It thereby functions as the organization its *raison d'être*, the social justification for its existence (Bryson, 1988)

Mission Advancement

Achieving impact that contributes to tackling the social problem or achieving the social ambition set out in the organization its mission.

Mission Related Impact

The impact achieved relative to the intended social benefit of the organization, program or policy.

NGO Non-governmental organization

Despite the lack of a generally accepted definition of NGOs the fundamental features are independence from government control, not constituted as a political party, not profit making and not a criminal group and non violent. (Based on Willetts, 1996)

Outcome

The direct changes in people, organizations, natural and physical environments, and social systems and institutions, resulting from a program, policy or organization.

Output

The immediate quantitative synthesis resulting from a program, policy or organization.

Public Good Impact

The impact achieved by the organization, program or policy relative to social welfare, thus including all intended and unintended effects.

Reach

The number of individual beneficiaries directly and finally affected by programs, policies or organizations.

Stakeholder

Those individuals or groups that are affected by the organization, program or policy, or whose actions affect the organization, program or policy.

Strategy

Strategy denotes the deliberate choice of activities that enables organizations to meet their objectives (Porter, 1996).

Strategic Philanthropy

Professionalism in the giving function, where philanthropy is treated (initiated and evaluated) with the same rigor as any other business function, and where these philanthropic actions match with the firm's identity (Based on: Maas and Liket, 2011).

Summative Evaluation

An evaluation with the aim of rendering judgment about the overall effectiveness of the program (policy or organization). (Based on Patton, 2008)

Value

The perceived worth of something, as judged by individuals or communities.

Chapter 1

Introduction¹

Abstract

Our world is confronted with a serious number of social problems that call for immediate action. At the same time, there is a wide range of organizations that aim to tackle these social problems such as philanthropic foundations and corporations practicing philanthropy. However, despite the existence of cost-effective solutions to some of these urgent problems, most organizations that aim to ‘do good’ seem to fail to embrace these solutions. Instead, they frequently employ or support interventions that research has shown to be less effective, or of which the effectiveness is unknown. Next to the disregard for the available evidence in the creation of the projects and programs, research also seems to suggest that most organizations do not evaluate the interventions that they do chose to implement. As a result, it is not possible to determine the extent to which these organizations are truly tackling social problems. Moreover, without data about their current effectiveness, it is not possible for organizations optimize this effectiveness. Presumably, the effectiveness of many organizations that supposedly ‘do good’ could be improved. This presents us with a paradox, where much of the ‘good’ that organizations attempt to do does not seem to be good enough. In this thesis, this paradoxical situation where ‘‘doing good’ is not good enough’ is explored by focusing on two types of organizations: organizations in the philanthropic sector and businesses that practice corporate social responsibility and corporate philanthropy.

By conducting a multilevel analysis this introductory chapter firstly attempts to denude the seeming occurrence of this paradox in the philanthropic sector. Three main causes are identified: 1) Goal incongruence between the philanthropic sector and the private and the public sector; 2) A lack of results measurement by philanthropic organizations; and 3) Information asymmetries between philanthropic organizations that attempt to fund the most cost-effective interventions and operating organizations that implement these interventions. Secondly, the relevance of the identified causes for the paradox in the philanthropic sector to businesses practicing CSR and CP is discussed. Throughout the rest of this thesis these causes, and some preliminary solutions, are explored. Moreover, some of the proposed solutions are translated in a strategic management framework that aids organizations that aim to ‘do good’ to maximize their impact.

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1.1. Introduction

Our world is in desperate need of change. While the rich are getting richer, one in six people live in extreme poverty (Olinto and Uematsu, 2013). According to UNICEF, around 24,000 children under the age of five died each day in 2008 because of the consequences of poverty. That is one child about every 3.5 seconds. As a child born into an extremely poor family, your chance of dying before your fifth birthday is 1.9 times higher compared to a child from a family that lives above the poverty line (UNICEF, 2009). Moreover, your mother is 300 times more likely to die from giving birth to you. Should you be fortunate enough to grow up to have a mother, you will be at a high risk of being infected with HIV (about 300 people every hour), a tropical disease such as schistosomiasis (243 million people in 2011), or become a victim of a natural disaster (WHO). Poignantly, the very scale and complexity of the abovementioned problems often result in great ignorance, instead of decisive, unified action. While these devastating statistics tell us of the sheer scale of the problem, they have also been found to leave most people feeling unable, and even unwilling, to respond (Small, Loewenstein and Slovic, 2007).

However, it is important to know that we are not as helpless as we might (want to) think. Nine million children die each year because of circumstances and situations that are relatively easy to prevent. Most die from dehydration, to which breastfeeding or Oral Rehydration Therapy – a cheap and simple cocktail of clean water, salts and sugar – provide solutions. Others die from routine infections, such as diarrhea, malaria, and tuberculosis, or one of several major diseases for which vaccines are readily available (UNICEF, 1990; 2010; UNDP, 1996; 2010). The same holds for the 500 million people worldwide who are infected with tropical diseases such as malaria, sleeping sickness, river blindness, and schistosomiasis, all of which are fully preventable.

Not only are much of the problems preventable, they are also relatively inexpensive to solve. As part of the Copenhagen Consensus project in 2012, Jamison and others pointed to the cost-effectiveness of HIV programs such as mother-to-child prevention programs and needle exchange and blood safety programs. Hecht and Jamison (2012) calculated that spending an additional 100 million annually on research and development of an HIV vaccine would generate benefits worth over 20 times the costs. Kunreuther and Michel-Kerjan (2012) calculated that simple interventions such as strengthening school buildings, building floodwalls around vulnerable communities, and investing in early warning systems, have benefits that outweigh up to 6 times their costs.

1.2. The Role of Philanthropy in Tackling Social Problems

Governments and the private sector, with their unique characteristics, each play their own role in responding to these global problems. The private sector meets the demands of those customers who can afford products and services at a price that allows businesses to reap a profit. Inevitably, this leaves a proportion of people excluded from consuming those products and services. Moreover, the private sector does not provide public goods. With these goods, such as fresh air, it is difficult to monitor or control who consumes them and thus pays for them. In response to these limitations of the private sector, often referred to as market failures, governments provide a range of products and services (Grand, 1991; Winston, 2002). Additionally, governments step in when the private sector does not operate according to agreed upon rules, such as insufficient or (mis)information provided to consumers about the quality and quantity of their purchases. However, governments, at least those functioning under a democratic system, need to abide by the wishes of the majority. This leaves them politically unable to allocate resources to products and services that are desired by only a minority of the people, such as devoting larger budgets to development aid or investing in research into a rare disease. These limitations are often referred to as government failures (Grand, 1991; Winston, 2002). Combined, market and government failures result in a world in which the needs of many are left unmet, even when it is clear that the benefits of providing the suited products and services would greatly outweigh the costs (Weisbrod, 1977).

In addition to the government and private sector, a third sector, the philanthropic sector, has a different set of unique characteristics that enables it to complement the private sector and government in providing goods and services. Philanthropy is characterized by a mix of civil society, non-governmental, religious, and voluntary organizations, distinguished by their capacity to generate private resources to contribute to public purposes under a nondistribution constraint (Hansmann, 1987; Weisbrod, 1977; Lyons and Hasan, 2010; Srivastava and Oh, 2010). In contrast to the market, it can offer products and services that do not need to produce a profit. This allows the philanthropic sector to respond to the needs of those who are unable to afford, or access, certain products and services. In contrast to government, the philanthropic sector does not need to abide by the wishes of the majority. Because of this, the sector is able to respond to problems that go beyond the borders of any given country (e.g., climate change), or problems that only affect a small group of people (e.g., Asperger syndrome). Additionally, the philanthropic sector can give voice to those that disagree with the actions of the private sector or the government (Weisbrod, 1977).

Since the 1960s, the world has seen a tremendous growth in the philanthropic sector (Boris and Steuerle, 2006; Clark, 1991; Fisher, 1998; Salamon and Anheier, 1992). Salamon estimated that

between 1995 and 1998 there were around 20 million nonprofit organizations with total revenues, across 35 countries, exceeding \$1 trillion (half of the entire 2012 GDP of the continent of Africa) (Ambrose, 2005). Moreover, he found that in the 15 original members states of the European Union there are about 62,000 philanthropic foundations, averaging around 16 foundations per 100,000 Europeans. Assets average about EUR 6 million per foundation, and the top 10 European foundations hold about EUR 48 billion in assets (Ambrose, 2005).

While many have criticized the private sector and the government for their inability to reduce the world's suffering, much less attention has been paid to the question of whether philanthropy has been effective in making a difference in solving social problems. To what extent is the philanthropic sector successful in allocating its resources in a way that utilizes its unique characteristics to respond to the world's needs most effectively? In other words, has philanthropy truly made a difference in solving the world's social problems?

Those that have attempted to answer this question have been hampered by a lack of knowledge of both the size and scope of the global philanthropic sector, as well as the impact it has on the world (Ambrose, 2005; Anheier and Leat, 2006; Salamon, Hems and Chinnock, 2000). But because philanthropy has grown more visible through the activities of high net worth individuals such as Bill Gates and Warren Buffett, there has been a growing demand for the philanthropic sector to demonstrate its impact (Ebrahim, 2003; Edwards and Hulme, 1996; Lindenberg, 2001; Rey Garcia, 2008; Young et al., 1996). This has stimulated more research into the effectiveness of philanthropic organizations.

The demand for increased philanthropic accountability was initially centered on transparency – showing what philanthropic organizations do and do not do. However, knowing the number and types of projects that an organization undertakes at a certain overhead ratio does not tell us whether these programs are making a difference in contributing to the resolution of social problems. As the realization grew that transparency only provided one piece of the puzzle, the focus increasingly shifted to whether the presence or absence of philanthropy makes a difference to society, and how significant this difference is.

In response to these accountability pressures, the philanthropic sector developed a range of theories and tools that enable organizations to demonstrate the value they create for society (Frumkin, 2006; Lindenberg, 2001; Pallas, 2010; Yates, 2004). Maas and Liket (2011) provide an overview of thirty of such methods. The value that philanthropic organizations create is referred to as their social impact, or simply, their impact (Anheier and Leat, 2006; Ebrahim and Rangan, 2010). In essence, impact is any type of effect produced by an action, regardless of whether an individual, for-profit or philanthropic

organization performs this action. Although specific definitions of impact vary, in the philanthropic context it is generally used to describe the value contributed to, or positive change made in, society, as a result of successful philanthropic endeavors (Anheier and Leat, 2006; Ebrahim and Rangan, 2010; Fiennes, 2012). However, even with access to these tools and frameworks empirical evidence shows that philanthropic organizations continue to struggle to actually measure their impact (Carman, 2007; Carman and Fredericks, 2010; Fine, Thayer and Coghlan, 2000; Hoefler, 2000; Light, 2004; Sawhill and Williamson, 2001; Sheehan, 1996; Wiener, Kirsch and McCormack, 2002).

We are thus faced with a lack of knowledge about the effectiveness of the philanthropic sector, as most philanthropic organizations do not evaluate their impact. However, the limited number of robust and rigorous studies on the effectiveness of philanthropic interventions that are available paint a rather disappointing picture of their effectiveness (Givewell.org visited 10.09.2013; 3ieimpact.org visited 10.09.2013; White, 2010; Epstein and Klerman, 2013). Surely, most philanthropic initiatives appear unable to fulfill their ambitious social missions (such as relieving world poverty or achieving global gender equality) (Anheier and Leat, 2006). More descriptive and qualitative studies conclude that the achievements of the philanthropic sector are at best moderate (Anheier and Leat, 2006; Salamon, Hems and Chinnock, 2000; Sandfort, 2008). This seeming inability of the philanthropic sector to use its unique characteristics to effectively respond to social problems presents us with a paradox. On the one hand there is a growing body of philanthropic action, a lot of 'doing good'. However, on the other hand, all this 'doing good' seems to largely fail to effectively solve social problems. In other words, this 'doing good' does not seem to be good enough.

1.3. The Role of Corporate Philanthropy and CSR in Tackling Social Problems

The philanthropic sector is not the only sector that aims to contribute to tackling social problems, and is subject to questions of their effectiveness in doing so. Governments create social value for their citizens by implementing policies and programs that respond to the problems of the people in their country that the market leaves unresolved (Dye, 1976). Naturally, the ability of the government to tackle social problems is limited by the resources available to the government, as well as, in the case of democratic governments, the need to respond to the wishes of the majority. Because of the active role of the government in tackling social problems, and the demands of the public to be able to hold the government accountable for its actions, there is a rich history of research on the effectiveness of government programs and policies (Davies, Nutley and Smith, 2000; Bell, 1976; Bulmer, 1986; Carley, 1980; Chelimsky, 1985). A number of tools have been developed that aid governments in being effective, including social impact assessments and cost-benefit analyses (Epstein and Klerman, 2013; Burdge and Vanclay, 1995; Davies, Nutley and Smith, 2000). More recently, the demand for

more rigor of public policy evaluations has become stronger, and, as a result of the use of more rigorous studies, the frequent lack of the effectiveness of government programs has increasingly been exposed (Epstein and Klerman, 2013).

The private sector also creates social value and tackles social problems through their provision of products and services that consumers demand (Emerson, 2000). However, many of these services and products, or the process through which they are created, are accompanied by negative externalities (Baumol, 1972). For example, a soft drink has negative health effects, and the production of a car is burdensome for the environment. In response to the increased attention for the responsibility of businesses to carefully manage these externalities, businesses are actively engaging in corporate social responsibility (CSR) programs (Campbell, 2007). As a result, the boundaries start blurring between the different sectors (Maas, 2009). These CSR programs can take a wide variety of forms, such as positively rewarding employees to display environmentally responsible behavior through commuting to work by train, or supplying managers with information on the environmental impact of the choice they make in the production processes of their products. As these examples illustrate, the management of these externalities can concern both attempts to reduce negative externalities (pollution from employees' commutes), as well as attempts to create positive externalities (switching to a more socially responsible supplier).

Increasingly, businesses take their social responsibility even a step further beyond managing negative externalities, for example by creating partnerships with civil society organizations or by forming public-private partnerships with both the government and civil society organizations (Saitanidi and Crane, 2009). In some cases, businesses create corporate foundations that use resources from the business to advance a specific social mission (Webb, 1994). These corporate foundations attempt to achieve their social mission by making grants to, or investments in, civil society organizations. In turn, these civil society organizations implement interventions that aim to contribute to tackling the social problems that they focus on. In these cases, businesses act in increasingly similar ways to philanthropic organizations (Webb, 1994). However, it is important to clearly note the differences between philanthropic organizations and businesses that spend resources on achieving social objectives. Although both claim to be guided by social missions, businesses are not acting under a nondistribution constraint, and in the end, their survival depends on their ability to make a profit. This results in an important difference between philanthropic organizations and businesses, where in the case of businesses there is no clarity about their motivation to truly tackle social problems (Windsor, 2009). As Windsor (2006: 94) has put it, this contestable nature of businesses practicing philanthropy “reflects the vital circumstance, affecting management and scholarship, that the concept confronts difficult balances between private conduct and public policy, and between economics and ethics.”

Oftentimes, businesses will have parallel aims such as advancing a social cause as well as increasing employee motivation or improving their public image (Roza, Meijs and Verlegh, 2011; Voort, Glac and Meijs, 2009).

Next to businesses performing activities that involve philanthropic actions; philanthropists also increasingly adopt business models to practice their philanthropy. For example, new organizational practices and forms that have arisen in the philanthropic sector including social enterprises and venture philanthropy, and the use of new types of capital such as mission related investing, impact investing, and social impact bonds (Bugg-Levine and Emerson, 2011; Froelich, 1999; Gronbjerg, 1993; Salamon, 2002).

As a result, the arena of actors that ‘do good’ has greatly extended, and boundaries between the government, private sector and philanthropic sector have blurred (Maas, 2009). In this thesis, the focus is therefore not simply on the traditional philanthropic sector, but also includes the ‘good’ that businesses attempt to do both through CSR and/or corporate philanthropy (CP). Because even less is known of the extent to which these corporate activities are effectively contributing to tackling social problems, the focus in the chapters that concern CSR and CP is mostly on exploring what is known about their effectiveness (Schaltegger and Burrit, 2000; Margolish, Elfenbein and Walsh, 2007).

Figure 1-1 The paradox of ‘doing good’ is not good enough



1.4. Denuding the Paradox

In this thesis the focus is on the paradox of ‘doing good’; on the one hand, there are many organizations that aim to tackle social problems. On the other hand, despite evidence of numerous cost-effective solutions to some persistent social problems, few organizations seem to base their choices on this existing evidence. Moreover, research indicates that most organizations fail to evaluate the effectiveness of the interventions they do implement, and thus do not base and improve their strategies on the basis of effectiveness data. As a result, the good that these organizations do does not seem to be good enough. This paradoxical situation is firstly explored in this chapter by zooming in

on the philanthropic sector, to understand the causes in this sector for its seeming ineffectiveness in solving social problems. Secondly, the extent to which these causes might also be relevant for the occurrence of the paradox in businesses practicing CSR and CP is discussed.

1.4.1. Denuding the Paradox in the Philanthropic Sector

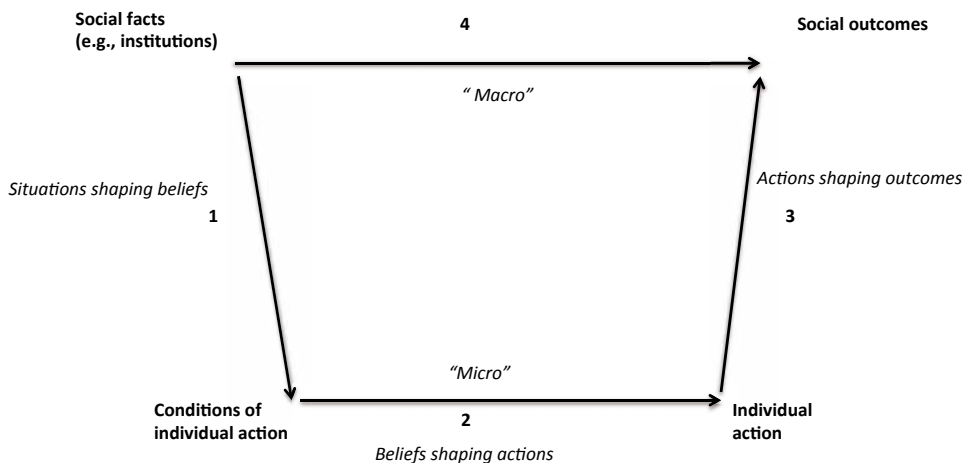
A number of studies have focused on attempting to explain the seeming inability of the philanthropic sector to effectively contribute to tackling social problems. First, several authors have pointed out that it might not be realistic to expect a highly fragmented sector to solve global problems such as population growth or climate change (e.g., Salamon, Hems and Chinnock, 2000). Second, some have questioned the extent to which philanthropic organizations are truly non-violent and have a desire to make a positive impact on society. Especially in context where tax benefits can be reaped from gaining a philanthropic status, materialism and self-interest may be important motivators (Cooley and Ron, 1997; Foley and Edwards, 2002). For example, of the 50 largest gifts made by wealthy Americans to public charities in 2012, 34 went to universities such as Harvard and Columbia, and nine to organizations such as the Metropolitan Museum of Art or the Central Park Conservancy (Stern, 2013). None of these gifts went to social-service organizations or charities that principally serve the disadvantaged and poor. Third, the paternalistic nature of philanthropy could contribute to its ineffectiveness. Often, those with excess resources formulate a vision about the needs of those who lack resources, and determine the way in which these need are best to be met (Salamon, 1987). In addition to being paternalistic, philanthropy can be particularistic, or even discriminatory according to some researchers, as influential philanthropists represent a small group of people who have been selected in a non-democratic way. This small group of people is able to determine the way in which their resources are spent, a share of which originates from the tax benefits that they (often) enjoy. An increasingly popular explanation for the ineffectiveness of philanthropy focuses on the lack of professionalization and strategic behavior of philanthropic organizations (Fleishman, 2007; Frumkin, 2003; Letts, Ryan and Grossman, 1997).

While each of these explanations contributes to our understanding of the paradox of ‘doing good’ as it applies to the philanthropic sector, arguably it is valuable to take a multilevel perspective that allows for a more holistic understanding. Analytical Sociology offers such a multilevel theory that has become known as Coleman’s boat (1990), which illustrates how explanations that simply relate macro level properties are often unsatisfactory (Hedstrom and Ylikoski, 2010). In this case, a single level perspective depicts the paradox as a macro level problem where the philanthropic sector fails to supply the products and services that meet the unmet demands in society (figure 1-1). Instead of trying to understand the problem at this macro level Coleman (1990) argued that one needs to open the black

box of the causal mechanisms through which the macro level properties fail to produce the expected outcome.

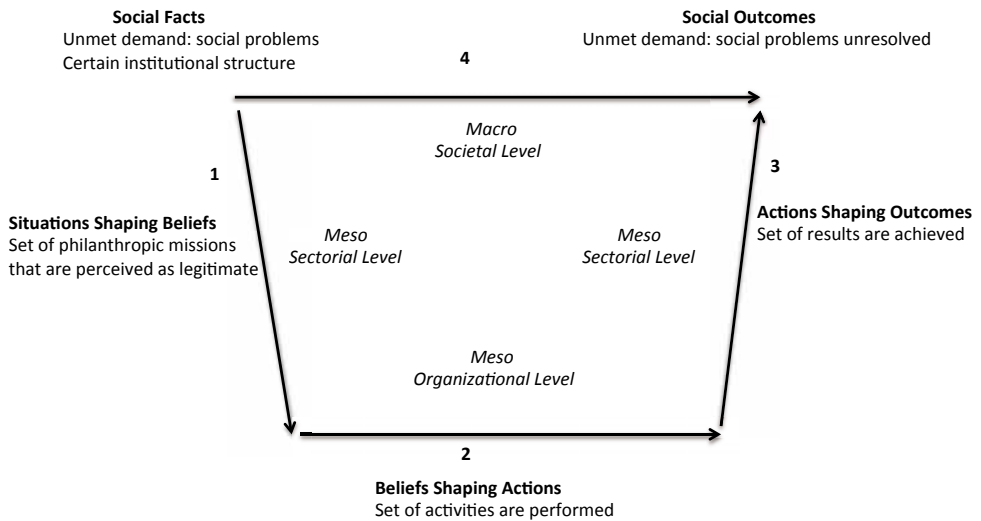
As Coleman's boat (1999) illustrates (figure 1-2), causal processes start with a set of social facts that present the situational (arrow 1), that affect the action-formation (arrow 2), and through the actions (arrow 3) produce social outcomes (figure 1-2). Coleman (1990) argued that the processes at the individual level should be considered to truly gain insightful understanding of the causal relationship between macro properties. Others have argued that this doctrine of methodological individualism is too limiting. For example, Udehn (2002) pointed to the socialization of individuals through institutions. *"Every individual living in society is socialized and internalizes, in varying degrees, the values and beliefs prevailing in the society, or group, to which he/she belongs"* (Udehn, 2002, p.301). Consequently, the school of structural individualism argues that it is not required that all explanations are about individual agents in a strict sense (Hedstrom and Ylikoski, 2010, p.60). It emphasizes the need to be confident about the link between our concepts and theories of social structures and individuals, and argues that it is not necessary to explicitly establish them every time (Jeperson and Meyer, 2011). Therefore, understanding macro relationships through the meso level can be highly informative.

Figure 1-2 Coleman (1990) his perspective understanding macro relationships by exploring disaggregated effects at the micro level, also referred to as *Coleman's Boat*



If we thus assume that the employees and volunteers of philanthropic organizations are heavily socialized by the organizations in which they work, we can focus our analysis on understanding the outcomes of the work by these foundations by performing a macro (societal)- meso (sectorial and organizational)- macro (societal) analysis using Coleman’s boat (figure 1-3). The social facts consist of the set of social problems that the market and the government fail to tackle, such as climate change and global poverty (arrow 1). The situations include both the formal and normative philanthropic institutional structures and infrastructure. Dominant to this infrastructure is for example the tax laws regarding philanthropic organizations in a given country. These factors feed into beliefs that shape actions at the organizational level, where the mission and strategy are formulated (arrow 2). Consequently, these actions shape outcomes through the value chain of the individual philanthropic organization, where their mission is translated into activities, outputs, outcomes, and eventually, impact. The social outcomes at the macro level consist of the aggregate of this impact (arrow 3).

Figure 1-3 Analysis of the paradox of ‘doing good’ that is not good enough on the basis of Coleman’s boat (1990), the case of philanthropic foundations in democratic welfare states



As the anecdotal examples in the introductory paragraphs of this chapter illustrate, the lack of resolution of the social problems that our world faces today is not because they are all unresolvable. On the contrary, there are many interventions that are cost-effective and that can help battle some of the greatest challenges that people in our world face today such as malaria. Analyzing the paradox for the philanthropic sector with Coleman’s boat (1990) opens the black box of causal mechanisms that connect the macro level social facts (a. a set of social problems that are left unresolved by the private

sector and the government, b. a large philanthropic sector operating under a certain institutional structure) and the social outcomes (a society in which many of these social problems are left unresolved). For each of the meso level elements of the boat a central issue that contributes to this paradox can be identified.

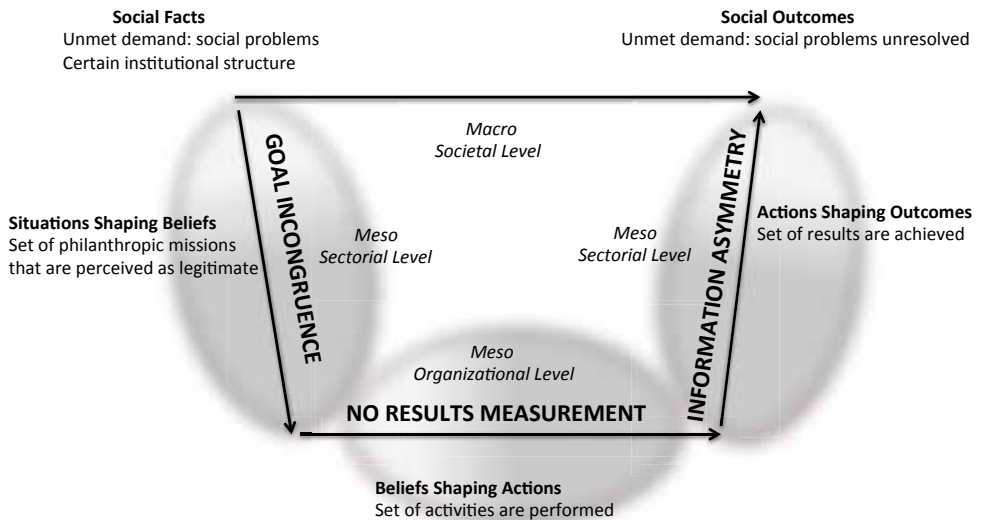
First, as explored in the introductory paragraphs, it is questionable whether the philanthropic sector is selecting goals that are in congruence with its unique characteristics, relative to the capabilities and resources of the private sector and the government. For example, there are many challenges that require a volume of resources that the philanthropic sector couldn't possibly supply, in which case it might be better for philanthropy to play a catalyzing or connecting role, instead of acting as the sole or main actor to tackle the problem. Other examples are social problems that could be addressed by businesses, because it is possible to create solutions that also produce profit (Porter and Kramer, 2011). Again, there might be a complementary role to play for philanthropic resources such as providing the first resources that function as seed capital or allow an entrepreneur to develop an idea (Thümler, forthcoming). This goal incongruence is likely to be contributing to the paradox by preventing the philanthropic sector from fully capitalizing on its unique characteristics.

Second, once goals have been selected and missions have been formulated, strategies are developed and activities are performed. Currently, most philanthropic organizations can say to basically be groping in the dark when it comes to creating those strategies and selecting and implementing those activities on the basis of meaningful information about effectiveness. Rigorous evidence of the results that specific interventions produce, and their costs-effectiveness, is largely absent, and even if such information is available it is rarely used as the basis of those strategies (Eckerd and Moulton, 2011; Fine, Thayer and Coghlan, 1998; Hoefler, 2000; Carman, 2007; Carman and Fredericks, 2010). Moreover, once projects are implemented or even completed, their results, the extent to which they reached their objectives to change lives for the better, are infrequently rigorously evaluated (Eckerd and Moulton, 2011; Fine, Thayer and Coghlan, 1998; Hoefler, 2000; Carman, 2007; Carman and Fredericks, 2010). Thereby this lack of results measurement at the organizational level is likely to be contributing to the paradox as it undermines the ability of philanthropic organizations to strategically manage to maximize their impact.

Third, philanthropic donors, whether institutional or individual, are faced with information asymmetries when attempting to select the most effective operating organizations (Grossman, 1999; Kaplan and Grossman, 2010; Meehan, Kilmer and O'Flanagan, 2004). There is little information available about the effectiveness of these organizations, and donors have to rely on poor proxies such as financial performance, director salaries and reputation (Tinkelman and Donabedian, 2007; Wing and Hager, 2004a; Lacey and Searing, 2012). None of these indicators inform donors about the impact

that the programs of these organizations truly achieve (Kaplan and Grossman, 2010; Lecy, Schmitz, and Swedlund, 2012). However, as donors have little other information to base their choices on, resources flow to those organizations that are most competent at seeming effective through performing well on these proxies (Emerson, 1998; Meehan, Kilmer and O’Flanagan, 2004). These information asymmetries contribute to the paradox because organizations that are truly effective are not receiving most of the resources (Grossman, 1999).

Figure 1-4 Analysis of the paradox of ‘doing good’ that is not good enough based on Coleman’s boat (1990), showing the three areas of causes



1.4.2. Denuding the Paradox in Businesses Practicing CSR and CP

Evidence seems to suggest the occurrence of the paradox that ‘doing good’ is often not good enough in the philanthropic sector. Three possible causes for this paradox are goal incongruence, a lack of results measurement and information asymmetries in the philanthropic marketplace. There are many other organizations that attempt to ‘do good’ that are not part of the philanthropic sector. Does the paradox also occur in these organizations? And if so, do the proposed causes for the ineffectiveness of the philanthropic sector also apply to those organizations? The interest here lies specifically with businesses that aim to ‘do good’ through CSR programs and by practicing corporate philanthropy.

When it comes to the first cause of goal incongruence, businesses have a unique opportunity to use the resources and capabilities of their core business in their CSR and philanthropy programs to tackle social problems. For example, a bank could create a microfinance program, or a fast moving consumer goods company could sell its good in smaller packages or adjust products to local context to reduce the barriers of upfront costs for poor customers. In contrast to philanthropists, businesses often have a clearer set of resources and capabilities that originate from their core business. One could therefore reason that businesses might be less likely to adopt social goals that are not in congruence with their competencies, or goals that governments or philanthropists are relatively more equipped to tackle. However, whether businesses indeed adopt social goals in such a strategic fashion is an empirical question.

There are multiple reasons to also assume that businesses are more likely than philanthropic organizations to measure the results of their social endeavors. Firstly, because of the attention of the public for the social responsibility of businesses (which might even be the main motivator for businesses to engage in CSR or philanthropy), businesses that practice CSR and philanthropy have relatively more to gain than philanthropic organizations by accounting for the results of these endeavors as it allows them to report on them (Margolish and Walsh, 2003; Maas and Liket, 2011). Secondly, businesses, and especially larger ones, are used to working with sophisticated accounting methods, which might also increase their likelihood to engage in the challenge of accounting for social value (Maas and Liket, 2011). Thirdly, regulatory pressures might push businesses to account for the results of their CSR and philanthropic activities (Maas and Liket, 2011). In a previous publication, Maas and Liket (2011) found that between 62 and 76% of businesses that are listed in the Dow Jones Sustainability Index (DJSI) measure some type of result from their philanthropic activities, mostly the impact on society and the impact on reputation and stakeholder satisfaction. Moreover, an increasing trend was found in the number of firms that measure impact of their philanthropic activities, as well as the number of firms that measure multiple dimensions of impact (including social dimensions) (Maas and Liket, 2011). This evidence seems to indicate that some businesses indeed measure the impact of their philanthropic programs. However, it needs to be interpreted with caution. Firstly, it is not know what the quality of these impact measurements is. Second, companies might measure their impact but not use the results to inform their strategic decision making to improve their effectiveness. Third, this study only included companies that are listed in the DJSI. As DJSI companies are among the sustainability leaders in their industries, they are relatively more likely to engage in measurement. As a result, the findings might not be representative for generalization to other companies.

The extent to which information asymmetries influence the effectiveness of businesses that engage in CSR or philanthropy in solving social problems depends on whether these businesses operate their own social programs or whether they work in partnerships or make grants or investments to operating organizations. In the latter case, businesses face the same information asymmetries as philanthropic organizations that make grants or investments to operating organizations. They are faced with the same lack of information about the effectiveness of these operating organizations, and therefore also have to rely on poor proxies such as financial performance, salaries and reputation.

1.5. Research Objectives and Scope

This doctoral thesis has two objectives. First, it aims to contribute to denuding the paradox that ‘doing good’ is often not good enough. Despite a clear need for organizations to fund or operate interventions that effectively respond to the world’s major problems, and the existence of a range of interventions that have shown to present cost-effective options, funds often seem to be allocated to less effective interventions or interventions of which the effectiveness is unknown. The effectiveness of organizations that ‘do good’ is thus often limited. Second, this thesis attempts to contribute to the effectiveness of organizations that aim to ‘do good’. The first half of this thesis focuses on furthering our understanding of impact measurement in the philanthropic sector. The second half of this thesis zooms in on corporations’ efforts to ‘do good’, including both corporate philanthropy and CSR.

Consequently, the research objective is formulated as follows:

“To contribute to our understanding of the paradox that much of the ‘doing good’ that is done is not good enough, and to formulate concrete suggestions on how to tackle this paradox.”

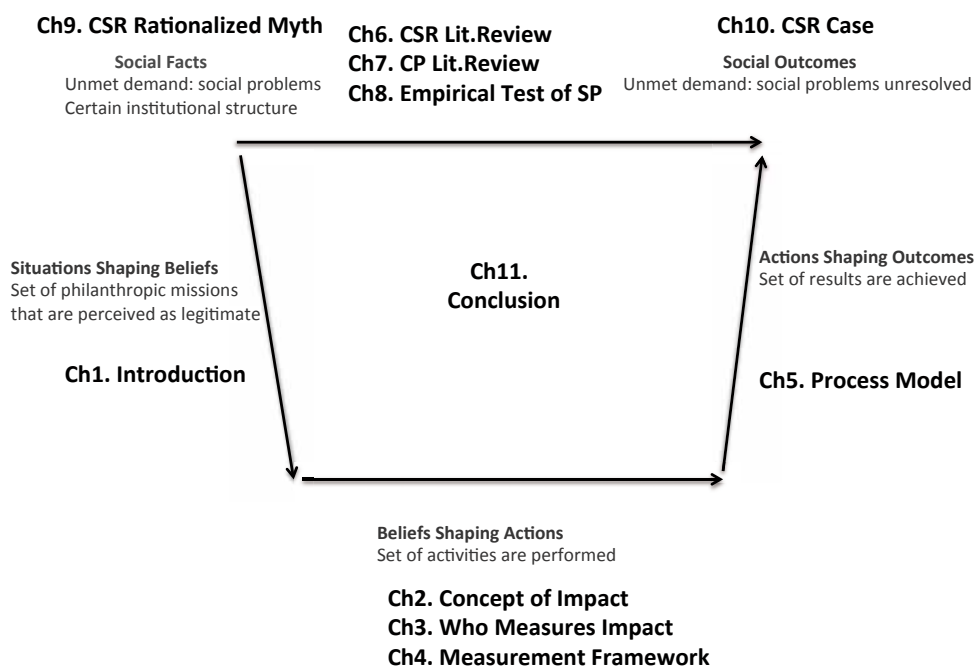
The conceptualization of this paradox with Coleman’s boat (1990) allows for a multilevel perspective that creates opportunities for a holistic understanding of why this paradox occurs. Thereby, new explanations, as well as connections between existing explanations, arise. In turn, these explanations provide insights into possible ways in which organizations that attempt to ‘do good’ operate can change to advance their ability to effectively tackle social problems.

1.6. Outline

The first half of this thesis (chapters 2-5) will mostly focus on contributing to the cause of the paradox that has been identified through the multilevel analysis in this chapter: the lack of results measurement. This cause occurs at the organizational (meso) level. The focus is both on providing insights for theoretical advancements of our understanding of impact measurement, as well as practical tools to conduct impact measurements and use the results to increase the effectiveness of the organization. In the second half of this thesis (chapters 6-10) the focus is on unraveling the extent to

which there is knowledge about the ‘good’ that businesses do through CSR and philanthropic programs. Lastly, in the concluding chapter, the multilevel analysis of the paradox is revisited and initial ideas are developed for the other two causes of the paradox that have been identified in this chapter: goal incongruence and information asymmetry. Moreover, a framework is developed that translates some of the proposed solutions into concrete suggestions for managers of civil society organizations, whether operating or not, and for CSR and CP managers, on how to strategically manage their organizations to ensure the maximization of their desired impact.

Figure 1-5 Analysis of the paradox that ‘doing good’ is often not good enough based on Coleman’s boat (1990), showing the focus of the chapters in this thesis



The central question of *chapter 2*² is whether we know what we are talking about when we refer to the term impact. Where some distinct impact level effects from outcome level effects by the way in which they are measured (with an attribution analysis), other view impact level effects as different types of effects as outcome level effects. This confusion in the research on impact is magnified in practice,

² This chapter is based upon: Liket, K.C. and Maas, K.E.H. Measurement Validity in Impact Research and Measurement: Do We Know What We Are Talking About? (Under Review with *Evaluation Review*)

leaving practitioners confused with what type of data they are suppose to collect and what methods they are supposed to use to be able to coin their results the ‘impact’ of their projects, programs or organizations.

In *chapter 3*³, the extent to which the discussion around impact has resulted in the actual integration of impact measurement in the practices of operating nonprofit organization is explored. This empirical study is a large, cross-national, cross-sectorial comparative study researching whether nonprofit organizations in Spain and the Netherlands are able to specify their reach - the number of beneficiaries their activities directly affect-. It discusses whether reach is an appropriate variable in empirical studies on the extent to which organizations are measuring their impact.

*Chapter 4*⁴ deals with the dilemma that many, but especially smaller operating nonprofit organizations, face, because of increased pressures from stakeholders to evaluate their impact. As the pressures to evaluate are accompanied by increasingly normative beliefs (or requirements) that these evaluations should be conducted using specific methods (e.g., SROI or experimental methods), many organizations are positively bewildered. While the evaluation literature provides extensive advice and evidence of factors that contribute to the utilization of evaluations, most of these focus on skill sets of a professional evaluator. Nonprofit organizations often have a limited budget to employ professional evaluators or to hire external evaluators, and as a consequence, a program manager or other members of staff are selected to lead or conduct the evaluation. In this chapter it is explored how these organizations can be helped in their interactions with their stakeholders to ensure evaluations have true utility for organizations.

*Chapter 5*⁵ explores an alternative path, but certainly not a substitution, for operating organizations to demonstrate and enhance their effectiveness in absence of impact measurements. It is testes to what extent to management practices that are proposed as facilitators of effectiveness in the research are also perceived as contributors of effectiveness by practitioners.

³ This chapter is based upon:

Rey-Garcia, M., Liket, K.C., Ignacio-Alvarez, L. and Maas, K.E.H. Back to Basics: Revisiting the Relevance of Beneficiaries for Nonprofit Impact Evaluation (**Under review** with *Nonprofit and Voluntary Sector Quarterly*)

⁴ This chapter is based upon:

Liket, K.C., Rey-Garcia, M. and Maas, K.E.H. (forthcoming). Why Aren't Evaluations Working and What to Do About it: A Framework for Negotiating Meaningful Evaluation in Nonprofits. *American Journal of Evaluation* (**Accepted for Publication**)

⁵ This chapter is based upon:

Liket, K.C. and Maas, K.E.H. (forthcoming). Nonprofit Organizational Effectiveness: Analysis of Best Practices. *Nonprofit and Voluntary Sector Quarterly* (**Published online first on 16 November 2013**)

In *chapter 6*⁶, an overview is provided of the literature covering the approaches of corporations to their socially responsible behavior. It provides a historic account of the topic and an overview of the various theories that have been used to explain and analyze corporate social responsibility. Moreover, a chronological review is provided of the conceptualizations of SR, as well as a discussion of a number of important research themes. Last, the sources of the literature on SR, which include textbooks, a number of references sources and a set of academic journals, are briefly discussed.

*Chapter 7*⁷ provides a systematic review of the literature containing 122 journal articles on corporate philanthropy. It identifies a number of themes around which the research is centered, and outlines how these have developed over time. Moreover, a distinction is made between the levels at which corporate philanthropy has been analyzed. Gaps in the knowledge on corporate philanthropy are identified and a future research agenda, including specific suggestions for research designs and measurements, is offered.

In *chapter 8*⁸, the proposition that strategic philanthropy is the marriage of corporate socially responsible behavior (benefits to society) and corporate financial performance (benefits to the firm) is put to empirical test. The study utilizes data from a sample of the most sustainable companies from the Dow Jones Sustainability World Index between the years 2006-2009, to estimate a model of strategic philanthropy that is based on the extent to which companies measure both their social and business impact. Thereby it built on the findings in a previous study by Maas and Liket (2011), who found an increasing trend in the measurement of results of corporate philanthropy by companies in either/or benefits to society and benefits to the firm.

In *chapter 9*⁹, the combination between the emphasis on the instrumental benefits of corporate philanthropy and corporate social responsibility, the relatively thin empirical evidence for the benefits to the corporation, and the limited attention to the benefits for society both in the literature, and in practice through rigorous impact measurements, are addressed. Based on the premise that our understanding of the rapid process through which corporate social responsibility has been institutionalized, the research is revisited with a temporal perspective so that the historical development of CSR into corporate practices can be analyzed.

⁶ This chapter is based upon:

Liket, K.C. and Heugens, P.P.M.A.R. (2012). Approaches to Sustainability. *Oxford Bibliographies Online*, Oxford University (**Published**). Available from: <http://www.oxfordbibliographies.com/view/document/obo-9780199846740/obo-9780199846740-0037.xml>

⁷ This chapter is based upon:

Liket, K.C. and Simaens, A. (*forthcoming*). Battling the Devolution in the Research on Corporate Philanthropy. *Journal of Business Ethics* (**Published online first on 10 November 2013**)

⁸ This chapter is based upon:

Liket, K.C. and Maas, K.E.H. Strategic Philanthropy: A Happy Marriage of Business and Society. (**Under Review** with *Business and Society*)

⁹ This chapter is based upon:

Liket, K.C. and Maas, K.E.H. Is Contemporary Corporate Social Responsibility a Rationalized Myth. (**Submitted** to *Journal of Management Studies*)

*Chapter 10*¹⁰, the penultimate chapter of this thesis, presents a case study of targeted social activism by nonprofit actors to the socially irresponsible practices of the multinational brewer, Heineken. The longitudinal analysis of the case from the company perspective evaluates the effectiveness of targeted social activism, and reviews the interaction between an operating philanthropic organization and a company proactively practicing corporate social responsibility through the lens of the corporate manager.

In the concluding *chapter 11* the three contributors to the paradox that have been identified with the use of Coleman's boat in this introductory chapter are further explored. After summarizing the main conclusions from the chapters of this thesis that focus on improving impact measurement to tackle the lack of results measurement at the organizational level (chapters 2-5), initial steps are taken towards the formulation of solutions to the other two identified causes for the paradox: goal incongruence and information asymmetries. Consequently, a management framework is developed on the basis of these proposed solutions that allows managers to implement them into their strategy processes, to advance the potential of their organizations to effectively advance their missions. Finally, a research agenda is developed.

¹⁰ This chapter is based upon:
Cranenburgh (van), K.C., Liket, K.C. and Roome, N. (2013). Management Responses to Social Activism in an Era of Corporate Social Responsibility: A Case Study. *Journal of Business Ethics*, 118(3): 497-513. (Published)

Chapter 2

Measurement Validity in Impact Research and Measurement:

Do We Know What We Are Talking About?¹¹

Abstract

The absence of a clear conceptualization of impact threatens its measurement validity, hindering progress of both theoretical development and the applied fields of impact assessment and evaluation. Based on a thorough literature review, two central arguments are made: 1) methodological characteristics of the method with which impact is measured should not define the concept of impact, and 2) a distinction should be made between two subtypes of impact, that relate to two different types of effectiveness. As proposed by Adcock and Collier (2001), definitions of these two subtypes are created on the basis of a systematic conceptualization process. The first subtype, mission related impact, can be measured relative to the goals specified in the social mission. The second subtype of public good impact is more abstract and its measurement relies more heavily on the researchers' judgement.

¹¹ This chapter is based upon:

Liket, K.C. and Maas, K.E.H. Measurement Validity in Impact Research and Measurement: Do We Know What We Are Talking About? (**Under Review** with *Evaluation Review*)

2.1. Introduction

Public administration and third-party government initiatives are increasingly pressured to measure their performance, in order to demonstrate and improve their effectiveness (Epstein and Klerman, 2013; Hatry, 2010; Khagram and Thomas, 2010; OECD, 2005). This has spurred the development of evidence-based evaluation of social programs (e.g., health care programs), and performance management of social organizations (e.g., non-profit organizations). Gradually, consensus has grown that both evaluation and performance measurement require assessment at the level of impact effects, instead of input or output effects, as impact is believed to provide insight into ‘what works’ (Chen, and Rossi, 1983; Davies, Nutley, and Smith, 1999; Ebrahim and Rangan, 2010; Epstein and Klerman, 2013; Hatry, 2010). The emphasis on impact is illustrated by increased budgets for impact evaluation, the establishment of evaluation departments, requirements for impact evaluations in international development initiatives, and measurement initiatives such as PART [Program Assessment Rating Tool], that aim to use ‘budgeting by results’ in order to favour better-performing programs (Donaldson, Christie, and Mark, 2009; Hatry, 2010; Khagram and Thomas, 2010; White, 2010). Moreover, the impact hype extends to evidence-based policy, evidence-based advocacy, performance contracts, and innovative investment vehicles such as social impact bonds and impact investing (Callanan, Law, and Mendonca, 2012; Davies, et al., 1999; Epstein and Klerman, 2013; Hatry, 2010; Khagram and Thomas, 2010).

Despite this exponential growth in the use of the term impact, it is often unclear what the concept of impact really means (Ebrahim and Rangan, 2010; Kolodinsky, Steward, and Butt, 2006). In fact, impact is used by a wide variety of actors, in both academia and practice, to refer to different types of effects, changes or values (Ebrahim and Rangan, 2010; Khagram and Thomas, 2010; Stame, 2010; White, 2010). The lack of clarity on what is, and what is not, impact, threatens measurement validity in both impact research, and in impact measurement (Adock and Collier, 2001; Hatry, 2010; Khagram, and Thomas, 2010; Sartori, 1970). For example, confusion about whether something is impact because it constitutes a specific type of effect different from outputs or outcomes, or whether something is impact because it is measured with a specific methodology, has resulted in an unproductive debate on methodological superiority of certain measurement methods that rests on a fundamental difference in perspective on the meaning of the concept (Khagram, and Thomas, 2010; Stame, 2010; White, 2010). In practice, this misunderstanding has led to the uncritical embrace of experimental methods by governments, social service agencies, philanthropists and their advancement by academics, consultancies, think tanks, and professional bodies, resulting in numerous disappointments of costly but useless results (Berk, 2011; Ebrahim and Rangan, 2010; Epstein and Klerman, 2013; Fels Smith and Schorr, 2009; Khagram and Thomas, 2010; Wholey, 1994).

First, the literature on impact and impact measurement is reviewed. As many have urged, due to the interdisciplinary nature of impact research, such a review requires the inclusion of a wide range of fields, such as international development and evaluation, public management, philanthropy, non-profit management, and welfare economics (Carroll, 2000; Ebrahim and Rangan, 2010; Lecy, Schmitz, and Swedlund, 2012). On the basis of this review, two central arguments are made: 1) methodological characteristics of the method with which impact is measured should not define the concept of impact, and 2) it is helpful to make a distinction between two subtypes of impact, that relate to two different types of effectiveness.

The first subtype is coined *mission related impact*. Mission related impact concerns the impact relative to the intended social benefit of the organization, program or policy. This type of impact is analogous to the businesses' return on investment (ROI) and constitutes, when corrected for costs, a measure of organizational, program or policy *mission related effectiveness*. The second subtype is coined *public good impact*. Here, the mission does not determine the scope of what is included as impact. In contrast, the impact is simply any effect of the organization, program or policy on social welfare, whether intended or unintended (externalities). It is important to note that we use the term public good not as it is understood by classical economists (goods that cannot be divided over individuals due to the nonrivalry of the benefits and/or nonexcludibility problems). With public good we simply refer to all the value, the 'good', in a society (Meidinger and Schnaiberg, 1980). When corrected for costs, public good impact is the measure of the organizations', programs' or policies' effectiveness relative to social welfare. This type of effectiveness is therefore referred to as *public good effectiveness*.

Measurement validity in impact measurement is addressed by tackling two interrelated but distinct questions. The first, 'do we know what we are talking about?', concerns the conceptualization of impact (Gerring, 2001). The second, 'how do we know it when we see it?', concerns the operationalization of impact (Gerring, 2001). A systematic process is used, as proposed by Adcock and Collier (2001), to answer the first question by building definitions of the two subtypes of mission related impact and public good impact. Moreover, a set of preliminary thoughts on the second question of measurement is offered. Finally, the implications of these conceptualizations for future research and practice of impact and its measurement are discussed.

2.2. Literature Review

An Emphasis on Measurement

Increased demands for public accountability have spurred a surge in governments at all levels to measure their performance, in order to both demonstrate and improve their effectiveness (Hatry, 2010;

Khagram and Thomas, 2010). For example, the US Government Accountability Office (GOA) found in a large survey that “significantly more federal managers today report having the types of performance measures called for by GPRA and PART than they did 10 years ago” (GAO, 2008, p.4). Simultaneously, the belief has grown that effectiveness can only be measured at the impact level, “for how can programs know whether what they are doing is working unless such tracking is done?” (Hatry, 2010, p.209). However, measuring effects at the impact level is easier said than done, as disappointing reports on the actual implementation of policies such as Clinton’s GPRA [Government Performance and Results Act], the 1993 Government Performance and Accountability Act, and George W. Bush’s PART [Program Assessment Rating Tool] illustrate (GAO, 2008, 2009; Hatry, 2010; Lu, Willoughby, and Arnett, 2009; White, 2010). Whereas most public and nonprofit agencies have been collecting data at the input and output level for decades, there is a substantial lack of clarity on what constitutes impact effects, and a lack of consensus on how these effects should be measured.

There are various factors that have invigorated the interest in impact measurement in different fields. Public agencies faced increased pressures for public accountability and demonstration of their effectiveness, especially in light of increased financial scarcity (Khagram and Thomas, 2010; OECD, 2005). In response, policies were designed at the federal level, which have acted as major catalysts of an emphasis on performance measurement (Epstein and Klerman, 2013; Hatry, 2010, p.208; Lu, et al., 2009; White, 2010). Moreover, Hatry (2010) argued that technological advancements increasingly allow for the collection of more complex performance information, such as client tracking after they have received services, software packages that track individual clients’ progression and can be linked to outcome information, and meta-evaluations that cluster multiple evaluations on the same topic such as the Federal Bureau of Investigations’ local crime report comparisons or the North Carolina Benchmark Project.

In the field of international development the need to measure impact has been driven by a demand from bilateral and multilateral funders for evidence-based funding of aid programs, as well as a growing will inside development agencies to increase and demonstrate their effectiveness (Jones, 2009; Picciotto, 2012; White, 2010). Nonprofit organizations are also increasingly occupied with impact evaluations, triggered by a growing demand from public and private funders, such as the Bill and Melinda Gates Foundation that has persistently emphasized the need for evidence and rigor in grantmaking (Ebrahim and Rangan, 2010; Fels Smith and Schorr, 2009). Moreover, there has been an increase in the internal awareness of the importance of impact measurement for strategic purposes (Behn, 2003; Crutchfield and McLeod Grant, 2008; Ebrahim and Rangan, 2010; Hatry, 2010; Kaplan, 2001; Sowa, 2009).

The hype around impact is both an effect and a cause of the infectious spread of experimental methods, that are increasingly believed to be the only route to providing insight into ‘what works’ (and what doesn’t) (Bardhan, 2005; Berk, 2011; Duflo, Glennester and Kremer, 2007; Duflo and Kremer, 2005; Epstein and Klerman, 2013; Khagram, Thomas, Lucero, and Matthes, 2009; Picciotto, 2012; White, 2010). This movement, led by econometricians, grew from a search to solve the so-called ‘macro-micro’ paradox of international development aid, where the benefits of seemingly effective development projects did not translate into observable impact at the macro level, by measures such as poverty reduction and economic growth (Ravallion, 2001, 2009; Picciotto, 2012). However, the hype has spread to other social organizations including philanthropic foundations (e.g., Rockefeller Foundation), nonprofit organizations (e.g. Oxfam America), international development agencies (e.g., the World Bank’s International Initiative for Impact Evaluation (3IE)), federal agencies (e.g., GAO), and social service agencies (e.g., health care agencies). Enthusiastic advocates of experimental methods can be found in academic institutions (e.g., MIT’s Jameel Poverty Lab (J-PAL)), consultancies and think tanks (e.g., McKinsey Social Sector Office), and professional associations (e.g., Coalition of Evidence-Based Policy) (Hatry, 2010; Khagram and Thomas, 2010).

This lobby for a golden standard of experimental evaluations in impact evaluation has not come without its consequences (Berk, 2011). Because experimental methods are limited by an extensive list of preconditions, such as the presence of a control group, an unchanged intervention during the course of the evaluation, a large sample size, limited risks of attribution, spill-over effects and many other preconditions, interventions that lack these characteristics are left with alternative methods that many now perceive as less rigorous (Berk, 2011; Cartwright and Munro, 2010; Chambers, Karlan, Ravallion, and Rogers, 2009; Elbers, Gunning, and De Hoop, 2009; Epstein and Karman, 2013; Jones, 2009; Jones, Jones, Steer, and Datta, 2009; Picciotto, 2012; Prowse, 2007; Ravallion, 2001, 2009; Rogers, 2009; Scriven, 2008). Consequently, the ability to acquire funding for organizations, programs or policies that are not suited for experimental evaluations is negatively affected, as alternative methods are “given significantly less weight” (Fels Smith and Schorr, 2009; Khagram and Thomas, 2010, p.101; Picciotto, 2012). In contrast, in academia the calls for the consideration of alternative methods, such as case studies and participatory methods, have increased, where researchers have argued for more context-dependent judgments on the relative suitability of the methodological options (Epstein and Karman, 2013; Khagram and Thomas, 2010). For example, Khagram and Thomas argued for a ‘Platinum Standard’, combining experimental methods with case studies and triangulation, which provides “public officials, nonprofit leaders, and philanthropies with timely, useful, and useable evidence they need in most situations” (2010, p.100).

Lack of Definitional Clarity

It is argued here that one of the root causes of the apparent struggle of organizations to perform meaningful impact measurement, and the unproductive and potentially harmful debate on experimental methods as a golden standard for impact measurement, stem from a lack of definitional clarity about what the concept of impact means. As Howard White (2010), director of the International Initiative for Impact Evaluation (3ie), argued: “there are two definitions of impact evaluation. Neither is right or wrong, but they refer to completely different things. There is no point in methodological debates unless they agree a common starting point” (White, 2010, p.153). He described two camps of evaluators: ‘evaluators measuring impact’ and ‘impact evaluators’. The former are evaluators that define their evaluations as an impact evaluation when they measure a certain type of effect. To them, impact generally refers to effects at the “final level of the causal chain (or log frame)”, often including, for example according to the definition used by OECD-DAC, “positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended” (in White, 2010, p.154). An example of the understanding of impact effects as different types of effects from outcome effects can be found in the study by Heinrich (1998), where she studies the returns to education and training. “I made the distinction between program outcomes, which the employment and training agency measures at the time of a participant’s termination, and program impacts, which I estimated nonexperimentally using pre- and postprogram earnings data for demonstration program participants and comparison group members” (Heinrich, 1998).

However, to the second group, labeled impact evaluators by White (2010), it is not the type of effect that defines a measurement as an impact evaluation, but the method that has been used to measure them. To this group, an impact evaluation “is defined as the difference in the indicator of interest (Y) with the intervention (Y1) and without the intervention (Y0). That is, $\text{impact} = Y1 - Y0$ (e.g., Ravallion, 2008)” (White, 2010, p.154; Jones, 2009). To impact evaluators, what makes an impact evaluation different from other evaluations, is the rigor that is employed in the identification of the counterfactual, which ensures that the effect can be rightfully attributed to the intervention. The type of effect need not be at the impact level, it can also be an output or outcome level effect. It is the measurement method one uses that determines whether something is considered an impact evaluation. This group of impact evaluators is increasingly growing in size, including impact evaluators of the World Bank, 3ie, Network of Networks for Impact Evaluation (NONIE), and the Center for Global Development (CGD). While these two camps of evaluators both use the term impact they refer to different things, thereby stretching the concept of impact conceptually (Sartori, 1970).

2.3. Conceptual Stretching

Sartori judged researchers that fail to carefully define their concepts guilty of following “the line of least resistance” (1970, p.1034), resulting in the concepts to be conceptually ‘stretched’. Conceptual stretching refers to a situation in which, in order to facilitate a wide range of applications, researchers broaden the meaning of their concepts by including a wide range of components. Sartori (1970) argued that conceptual stretching has important consequences for the validity of empirical findings, as conceptually stretched concepts are elusive and indefinite, and therefore have tenuous linkages with empirical evidence. Simply put, when a concept is left undefined, the connection between concepts and scores becomes weaker. This threatens measurement validity, which is the degree to which the scores “meaningfully capture the ideas contained in the corresponding concept” (Adcock and Collier, 2001, p.530).

It is only recently that measurement validity of complex and abstract phenomena has received the necessary attention in the social sciences, mostly in the field of political sciences (Adcock and Collier, 2001; Munck and Verkuilen, 2002). However, more recently, measurement validity has also been addressed in the nonprofit and philanthropic literature (Heinrich, 2005; Lyons and Hasan, 2010; Muukkonen, 2009; Srivastava and Oh, 2010; Thompson and Landim, 1998). In the nonprofit literature conceptualization has been discussed for core concepts such as philanthropy (Lyons and Hasan, 2010; Muukkonen, 2009; Srivastava and Oh, 2010; Thompson and Landim, 1998) and civil society (Heinrich, 2005). This attention for conceptualization is underlined by debates about the role of theory in the development of the field of non-profit and philanthropic studies (Dobkin Hall, 1999; Donmoyer, 2009; Katz, 1999;).

The route to measurement validity starts with a carefully systemized concept, which is formed on the basis of the background concept (Adcock and Collier, 2001). By carefully examining the diverse meanings included in the background concept, scholars can clarify their options. Consequently, formulating the systemized construct is grounded in rationalism instead of empiricism. Ultimately, as Sartori (1970) specified, the process of forming a systemized concept comes down to the scholars’ choices. Adcock and Collier (2001) warn for three common traps to be avoided in making these choices: 1) misconstruing flexibility by going beyond the matrix of options available in the background concept, 2) arguing for one’s own systemized concept by ruling out other systemized concepts through emphasizing their inconsistency with the background concept, and 3) not providing a fleshed-out account for the chosen systemized concept.

As the literature review showed, impact is either defined as a specific type of effect or as an effect that is defined as impact because of the methods that are used to measure it. Many scholars and

practitioners have used or associated characteristics of the measurement process of impact to define the concept itself, such as the common definition of impact that emphasizes the use of a counterfactual (e.g., Kolodinsky, et al., 2006; White, 2010). An overview of these methodological components that have been associated with the definition of impact is presented in table 2-1. In contrast, it is argued that conceptualization is separate from, and should precede, how a concept is measured (i.e. its operationalization) (Adcock and Collier, 2001).

Argument 1: Methodological Characteristics Should Not Define a Concept

Table 2-1 Measurement related components of impact

Measurement related components	
Attribution	As a result of the intervention (e.g., Rossi, Lipsey and Freeman, 2004; White, 2010)
Participation	As perceived by the beneficiaries (and all other individuals affected) (e.g., Kolodinsky et al., 2006)
Counterfactual	Effects corrected for what would have happened anyway (e.g., Behn, 2003; Clark et al., 2004)
Social Constructivist	As perceived by anyone (e.g. Herman and Renz, 2008; Mansbridge, 1998)
Drop Off	Diminishing intensity of impact (e.g., Weinstein and Lamy, 2009)

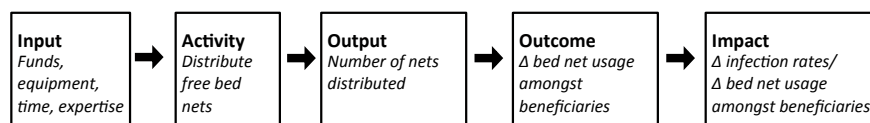
2.3.1. The Background Concept of Impact

Next to methodological characteristics, a wide range of other components has been used to define impact. First and foremost, when talking about impact, one always refers to some sort of effect, a value that is created or a change that is realized. In economic terms, this effect is often referred to as an outcome, as it functions as the outcome variable (Y) (Bradford, 1997; White, 2010). However, this is not what evaluators mean when they use this term to distinct between different types of effects such as input, output and outcome.

Using the impact value chain to illustrate the different types of effects, impact effects are categorized as the highest-order effects (for applications of the value chain see for example Carvalho and White, 2004; Clark, Rosenzweig, Long, and Olsen, 2004; Weiss, 1998). The value chain distinguishes between the resources used for an intervention (*input*), the intervention itself (also referred to as

project or *activity*), the immediate quantitative synthesis of the intervention (*output*), the direct changes in people, organizations, natural and physical environments, and social systems and institutions (*outcome*) and highest order effects of the intervention (*impact*) (see figure 2-1). Despite the use of a single indicator for each input, output, outcome or impact effect in the example, it is important to note that these effects are almost always plural. This also means that in some cases, there will be positive synergies between these effects. However, in other cases, there may be trade-offs as some effects are desired where other effects might be considered negative.

Figure 2-1 Standard social value chain with simple example



These highest order effects that are referred to as impact effects have been more specifically defined in a wide variety of ways, most importantly as long-term effects (e.g., OECD-DAC, 2006; Ormala, 1994), sustained changes (e.g., Ebrahim and Rangan, 2010; Wood, 2010), improvements of lives (e.g., Latané, 1981), improvements in society (e.g., Emerson, et al., 2000), root causes of social problems (e.g., Crutchfield and McLeod Grant, 2008), transformational changes (e.g., Archer, Bhaskar, Collier, Lawson, and Norrie, 1998), and systemic changes (e.g., Boston, 2000). Moreover, the OECD-DAC (2006) explicitly defined impact to include positive and negative, direct and indirect, and intended and unintended effects. This definition aligns with the way in which the International Association of Impact Assessment (IAIA) defined impact: “Social impacts are intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions” (wikipedia, 2009).

Most definitions of impact do not only concern with the type of effect that impact is, but also include an element of consequence or intent. In the philanthropic and nonprofit literature, impact is often conceptualized as progress on the social mission (Edwards and Hulme, 1996; Kaplan, 2001; Sheehan, 1996). In this sense impact effects are limited to refer only to the intended social effects, as formulated in the mission statement, which are created as a result of an intervention. Similarly, in welfare economics, the research into the impact of social programs and policies also focuses mostly on the impact that was achieved relative to the program or policy goals, although the broadness of this research’ scope can vary to include unintended effects (Ayres and Kneese, 1969; Bradford, 1997; Mishan, 1971). Unintended effects, whether positive or negative, are not explicitly aimed for. These are often referred to as externalities, as the market does not correct for these effects (Mishan, 1971). Governments sometimes aim to regulate these unintended effects by posing taxes and excise duties on

negative externalities, or by providing subsidies and other forms of support to organizations that create positive externalities.

Table 2-2 Background concept of impact

Components associated with impact	
Effect	Value (e.g., Bradfort, 1997; White, 2010)
<i>Something observable</i>	Change (e.g., Bradfort, 1997; White, 2010)
Highest order effects	Long term effects (e.g., OECD-DAC, 2006; Ormala, 1994)
<i>Final level of the causal chain/log frame</i>	Sustained changes (e.g., Ebrahim and Rangan, 2010; Wood, 2010)
	Improvements of lives (e.g., Latane, 1981)
	Improvements in society (e.g., Emerson et al., 2000)
	Tackling of root causes of social problems (e.g., Crutchfield and Grant, 2008)
	Transformational changes (e.g., Bhaskar, 1998)
	Systemic changes (e.g., Boston, 2000)
Intended effects	
<i>Intended effects as formulated in the mission statement</i>	
(e.g., Edwards and Hulme, 1996; Kaplan, 2001; Sheehan, 1996)	
Unintended effects	
<i>Unintended effects that can be positive or negative, direct or indirect</i>	
(e.g., Bradfort, 1997; OECD-DAC, 2006)	

A number of components have been distilled that have been ascribed to or associated with the concept of impact (table 2-2). These different components form the so-called 'background concept' of impact. To follow the route of Adcock and Collier (2001) towards a systemised concept and in response to the current situation of conceptual stretching, it is necessary to translate this background concept into a core concept of impact. It is helpful to note that in the structure of concept formation there are three types of fundamentally different concepts: classical concepts, radial concepts and family resemblance concepts (see for example: Adcock, 2005; Collier and Mahon, 1993; Goertz, 2006; Lakoff, 1987; Sartori, 1984). It is argued that the concept of impact is a classical concept. Classical concept

formation is hierarchical and aims to create mutually exclusive definitions, as it prescribes that the components of a concept that are co-jointly both necessary and sufficient need all be present in order for an object to be classified as an instance of the concept (Collier and Mahon, 1993; Munck, 2001; Sartori, 1984; Schedler, 2001). The hierarchical element of classical concepts stems from what Sartori referred to as intension and extension: “the defining components are intension and the objects to which the concept applies are extensions of the concept forming subtypes” (1984, p.23).

2.3.2. The Core Concept of Impact

Impact effects are often part of a large plethora of effects, also referred to as a chain of effects (Clark et al., 2004; Ebrahim and Rangan, 2010; White, 2010). For example, when a nonprofit organization’s intervention is to distribute bed nets, a straightforward impact indicator would be the change in malaria occurrence. However, this impact indicator is interrelated to other effects, such as regional or national health care costs and economic growth. Therefore, a diverse range of more concrete conceptualizations of impact, that attempt to define what the ‘highest order effect’ is that can be used to conceptualize impact, have been proposed.

First, it has been popular to distinguish between output, outcome and impact on the basis of time frame, where outputs are immediate effects, outcomes intermediate effects and impact long-term effects (Ormla, 1994). For some impact effects however, this division might be misleading as some public organizations, programs or policies aim to create immediate impact that occurs in the short term. For example, a nonprofit organization’s mission could be to give chronically ill children a happy day without worries. When impact would be defined on the basis of the time frame, the nonprofit in this example could never be impactful, as one expects there to be no long time effects. Defining impact on the basis of the time frame is therefore too limiting.

Similarly, other conceptualizations of what constitutes highest order effects also have limiting effects on the ability of certain organizations, programs or policies to be impactful. When impact requires improvements to be made to individual lives, organizations, programs and policies that aim to impact society or create systemic changes are often hardly impactful, and vice versa. For example, a program could result in substantial healthcost savings by substituting formal care for informal care, but this informal care could be less advantageous for the wellbeing of the patient, and pose serious burdens on the wellbeing of the informal caretaker. The same limiting effect occurs with more narrow conceptualizations of impact such as transformational change or tackling root causes of social problems. Many organizations, programs or policies do not aim to tackle root causes but simply set out to reduce the burden of the symptoms of the problems for the beneficiaries, such as the humanitarian aid that is offered to people in reaction to the suffering of a natural disaster.

In contrast, defining impact as sustained change has least limiting effects on the ability of organizations, programs or policies to be impactful. Of course, the definition of when something is or isn't sustained is highly context dependent; it depends on the extent of the sustainability of the impact that is desired as captured in the mission. Take for example a nonprofit organization with the mission to provide people with access to drinking water. When this nonprofit would provide water dwells, measuring its impact simply with indicators of the immediate effect of the provision of dwells does not determine whether the organization is impactful. As the mission is to provide access to water, the organization will need to uncover whether the dwells will continue to function in the longer term to claim that their program has impact. This sustained change need not be 'social', but can also be environmental or economic, and the effect can accrue at all sorts of levels. Wood (2010) suggested a useful distinction of these levels: people and organizations, natural and physical environments and social systems and institutions. On the basis of the background concept, the core concept of impact is defined as effects that are sustained changes on people and organizations, natural and physical environments, and social systems and institutions.

2.3.3. Two Subtypes of Impact

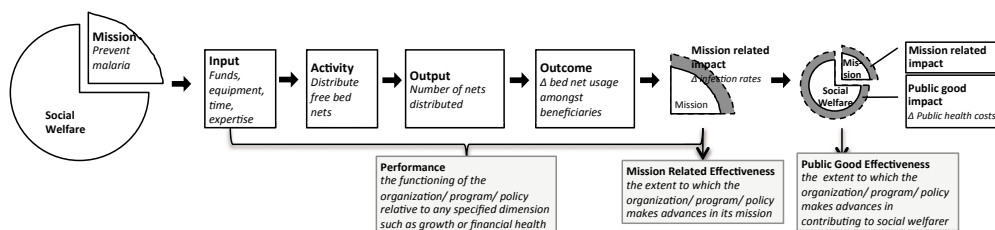
Although this definition of the core concept describes the necessary and sufficient components of impact, for practical reasons it will be useful to define impact more specifically. Adcock and Collier (2001) observed that providing a fleshed out account of a concept often results in the finding that the internal dimensions of the single concept at hand require multiple concepts. Collier and Mahon (1993) provide the illustrative example of the dog, where the core concept of a dog contains three components that all need to be present in order for an object to be referred to as a dog (necessary and sufficient). However, the objects can have other characteristics that allow for differentiation between subtypes of dogs (extension) allowing for the labelling of various subtypes (breeds) of dogs. The subtypes are nominal, in that they are not more or less 'true' representations of the core concept, but simply different versions.

It is argued that, similar to the example of Collier and Mahon (1993), impact needs two different subtypes because it includes two different fundamental components that cannot be merged. Mission related impact is a measure of the impact of the organization, the program or the policy in relation to its mission. It does not consider unintended effects. As such, mission related impact does not provide information on the impact the organization creates or destructs for society at large. Phrased differently, when only the intended impact is considered and the unintended impact effects are ignored, the measure only indicates the impact of an organization, program or policy, relative to its own mission. It does not measure whether this creates overall welfare gains or losses for society, for which the unintended impacts or externalities must be taken into account as well.

To create a clear distinction between these two measures of organizational, program, or policy impact on a mission level, and impact for society as a whole, it is argued that it is useful to create two subtypes of the core concept of impact. The first subtype concerns the impact relative to the intended social benefit (as specified in the mission) of the organization, program, or policy. The second subtype considers all effects, whether intended or unintended, on social welfare. This first subtype of impact will be referred to as mission related impact. This mission related impact has also been referred to as ‘policy impact’ by evaluators (e.g., Radej, 2011). When the mission related impact is corrected for costs, it is a measure of the social return on these costs. Similar to the traditional return on investments (ROI) of for-profit organizations, mission related impact corrected for costs is a measure of the public organizations’, programs’, or policies’ cost-effectiveness. The second subtype of impact will be referred to as public good impact, which includes the unintended effects and thereby constitutes a measure of the cost-effectiveness of organizations, programs and policies relative to social welfare (figure 2-2 below).

Argument 2: We Need Two Subtypes of the Concept of Impact

Figure 2-2 The adapted social value chain



These subtypes of impact are not more or less ‘true’ impact, but different subtypes of the core concept of impact. Next to the components that are part of the core concept (fundamental notion) of impact, there are thus components that are specific to the subtypes (table 2-3). The first subtype, mission related impact, is always limited by a notion of intent. Therefore, mission related impact can best be defined as effects resulting from an organization, program, or policy intent that constitute the most sustained changes as formulated in that intent. These changes can concern people and organizations, natural and physical environments, and social systems and institutions (Wood, 2010). In the case of the nonprofit organization, this intent is captured in a mission statement. In the case of most other public organizations, it is captured in one, or a set of, goal(s). Second, in contrast, public good impact is not limited by intent as it encompasses all intended as well as unintended effects. Therefore, public good impact can best be defined as all effects from an organization, program or policy, whether intended or unintended, that constitutes sustained changes to social welfare. Again, these changes can

affects people and organizations, natural and physical environments, and social systems and institutions (Wood, 2010).

Table 2-3 Specification of the subtypes of impact

		Classical category: impact					
		Category	Components				
			<i>Effect</i>	<i>Sustained changes</i>	<i>Intended effects</i>	<i>Unintended effects</i>	
<i>Primary category</i>	Impact						
<i>Secondary category</i>	Mission related impact					X	
	Public good impact					X	X

2.4. Discussion

The major concern of this research is with measurement validity in impact research and measurement, which derives from the systematic error that arises when the relationships among concepts, indicators, and scores are poorly developed. The first step to ensuring measurement validity is the formation of systemized concepts (Adcock and Collier, 2001). A systemized concept of impact is developed on the basis of the background concept, defining the core concept of impact as ‘effects that are sustained changes on people and organizations, natural and physical environments, and social systems and institutions’ (Wood, 2010). A distinction is made between two subtypes of impact; mission related impact, a measure of the impact of the organization, the program, or policy, in relation to its mission, and public good impact, which includes all unintended effects (externalities) and thereby constitutes a measure of the effectiveness of the organization, program, and policy, relative to social welfare.

Following conceptualization is the operationalization of concepts, which involves the selection of the indicators to capture the presence or absence of the concept at hand (Adcock and Collier, 2001). However, as impact is defined as effects that are sustained changes, either resulting from specific intentions (mission related impact) or including any effects on the social welfare (public good impact), these concepts are rather abstract. This implicates that the measurement of impact varies on a case-by-case basis. However, operationalization on a case-by-case basis creates a strong reliance on inference, which increases risks of a lack of clarity in the observations, and decreases the amenability of the

theory to falsification. This is a result of the absence of an objective standard against which the individual researchers argue that its indicators measure the abstract concept can be judged (King, Keohane and Verba, 1994).

These risks are less severe in the case of mission related impact, as the mission of the organization, program, or policy functions as the standards against which the researchers' arguments can be tested. For example, the mission statement of the nonprofit organization Oxfam America is "To create lasting solutions to poverty, hunger, and social injustice" (<http://www.oxfamamerica.org/whoweare>). The impact of both Oxfam America as an organization and its programs would thus be measured with indicators of relief of both poverty and hunger, and measures of social justice that incorporate the 'sustained' aspect of these changes. However, this presumes the appropriateness of these missions, which for example in the case of nonprofit mission statements has been argued to often not be the case (Rangan, 2004). This could result in the formulation of indicators that in reality refer to sub-goals of which the relation to the overall mission is unclear.

In contrast, public good impact is not measured relative to formulated goals, but constitutes an abstract concept whose operationalization relies entirely on the researchers' judgments (Meidinger and Schnaiberg, 1980). The researcher defines when an effect is considered as a sustained change, and which intended and unintended effects should be included. Therefore it is paramount that the researcher is transparent about the choices that are made, and extensively justifies these with arguments. To enable comparisons, operationalization of public good impact needs indicators that are generally accepted to capture social welfare. Examples can be found in the Happiness Index (Helliwell, Layard and Sachs, 2012), the Human Development Index from the United Nations Development Program (UNDP), the Well-being index from the World Health Organization (WHO), or databases of impact indicators (<http://iris.thegiin.org/>).

2.5. Conclusion

In line with Khagram and Thomas (2010), it is argued here that there has been a tendency in impact research and measurement to underestimate the fundamental importance of descriptive inference, resulting in an undesirable semantic confusion that fails to address measurement validity. A lack of attention for measurement validity hinders progress in both the theoretical development of impact research, and the meaningfulness of the use and measurement of impact beyond the academy. Attention to core concepts is a crucial first step to giving substance and focus to any analysis, regardless of whether the purpose is the development of the 'intellectual resource base', or the reflectiveness of public management studies to the needs of practitioners.

This measurement validity in impact research and measurement is addressed in this research by reviewing the literature and conducting a systematic conceptualization of the concept of impact (Adcock and Collier, 2001). This review causes us to agree with White (2010), who argued that there are two definitions of the concept of impact. However, similar to Stame (2010), White is believed to be incorrect about the definitions he proposed, as they were based on the operationalization instead of conceptualization of impact. In contrast, it is argued that it is needed to distinguish between a concept and its measurement, and how a concept is operationalized should not determine how it is defined. The definitions of the two sub types of impact that are proposed are, in contrast, based on the different components that the subtypes of mission related and public good impact contain.

For academia the distinction between these subtypes and the thorough definitions enhance comparative research on impact by increasing the measurement validity. For practitioners the subtypes and corresponding definitions aid in the identification of what is and what is not impact, distinguishing between impact relative to intended targets (captured in the mission) and impact relative to social welfare (including unintended effects).

The main limitation of our work is the lack of empirical testing of the concepts. The application of the different impact types in various empirical settings would provide valuable information on the practical consequences of these conceptualizations. Moreover, it is important to note that these conceptualizations of impact are context-dependent, and, when the context is clearly specified, researchers may find the need to define impact differently. Thereby, the contribution of our work lays not so much in the specific definitions provided, but more so in making an argument for the importance of careful conceptualization of impact and carefully outlaying the relative usefulness of the various components ascribed to impact.

Chapter 3

Back to Basics: Revisiting the Relevance of Beneficiaries for Nonprofit Impact Evaluation¹²

Abstract

Accountability pressures on nonprofits organizations to demonstrate their effectiveness with impact evaluations are increasing. However, the impact hype has created a confusing landscape of standards, methods and frameworks, leaving many organizations drowning in useless evaluation data. We argue that it is time to revisit the basics. Knowledge of the beneficiary population by measuring reach is argued to be a crucial first step towards results accountability. As measuring reach requires a clear conceptualization of beneficiaries, four main aspects of the definition of beneficiaries are discussed. In the second part of this paper we argue that the scarce empirical evidence that is available about the extent to which nonprofits are evaluating their impact is vulnerable to numerous biases. Reach is proposed as a valuable proxy for exploring the extent to which nonprofits are evaluating. With a cross-national sample of 1,002 Spanish and Dutch nonprofits, the extent to which organizations are evaluating is studied, and context specific hurdles that influence these evaluation practices are identified. The results have implications for evaluation capacity building efforts.

¹² This chapter is based upon:

Rey-Garcia, M., Liket, K.C., Ignacio-Alvarez, L. and Maas, K.E.H. Back to Basics: Revisiting the Relevance of Beneficiaries for Nonprofit Impact Evaluation (**Under review** with *Nonprofit and Voluntary Sector Quarterly*)

3.1. Introduction

The pressures on nonprofit organizations to demonstrate the difference they make in society have risen over the last two decades (Carnochan, Samples, Myers and Austin, 2013; Benjamin, 2008; Ebrahim and Ragan, 2010). This accountability movement started with demands for increased transparency (Ebrahim and Weisbrand, 2007; Benjamin, 2008), but in the last decade it has centered on demonstration of the difference organizations make in truly tackling social problems (Brest and Harvey, 2008; Benjamin, 2010; Ebrahim and Rangan, 2010). In response, numerous evaluation tools, frameworks and approaches to evaluate nonprofit programs and organizations have been developed. Many of these nonprofit evaluation guides have included statements such as “simply counting people served... won’t cut in today’s environment” and “[some grantees] report the numbers of participants they reach... as though they were results” (Benjamin, 2012). Instead, it is argued, evaluations should focus on outcome and impact level effects, to measure the true difference that nonprofit programs and organizations make in changing the lives of their beneficiaries (Ebrahim and Rangan, 2010; Eckerd and Moulton, 2011; Maas and Liket, 2011a; Rey, Alvarez and Bello, 2013; Benjamin, 2012; MacIndoe and Barman, 2012).

But are we right to assume that evaluation practices have truly transcended output measures such as the number of activities developed or the number of beneficiaries served (Behn, 2003; Carnochan, et al., 2013; Ebrahim and Rangan, 2010)? Our knowledge of the extent to which evaluations of outcomes and impact level effects are conducted, and the quality of these evaluations, is extremely limited (Eckerd and Moulton, 2011). Although a few recent studies show a growing portion of nonprofits stating that they evaluate their outcomes or impact, this research is highly vulnerable to multiple biases (Reed and Morariu, 2010; Morariu et al. 2012; nonprofits Finance Fund, 2013; Ógáin et al., 2012). Moreover, conducting evaluations does not guarantee the use of these evaluations for the improvement of performance and effectiveness. In fact, studies into the utilization of evaluations by nonprofit demonstrate that it is often low (Fine, Thayer and Coghlan, 1998; Hoefler, 2000; Carman, 2007; Carman and Fredericks, 2010).

In response, the first goal of this paper is to demonstrate that the importance of the measurement of output level effects has been disregarded too quickly. In particular, we argue for the need to revisit the relevance of the measurement of ‘reach’, defined as the number of beneficiaries an organization’s interventions directly affect. Reach is a key performance variable for any social purpose organization. Moreover, knowing an organization’s reach is a prerequisite for results accountability: to be able to determine whether (and in which ways) the lives of the beneficiaries have changed as a result of a program or organization (i.e., the outcomes or impact), the beneficiaries that have been reached first need to be identified. Furthermore, any rigorous impact evaluation requires a solid sampling strategy,

for which the population of beneficiaries that have been reached needs to be known to the organization.

It is often the case that for nonprofits to collect data on reach is not as straightforward as it might seem. This is mainly due to difficulties of defining who the real beneficiaries of the programs or the organization are. Through consultations with nonprofit practitioners, the concept of beneficiaries is explored. We find that there are four main aspects to the defining reach.

The second goal of this paper is to contribute to filling the void of evidence regarding the prevalence of evaluation practices within nonprofit organizations. In a cross-national study of 1,002 nonprofits in Spain and the Netherlands, we collected data about the extent to which organizations know their reach. Thereby, this data aids in approximating whether organizations engage any type of measurement, and whether the basics are presents in the organization to engage in evaluations of outcome and impact effects. Moreover, a multi-theoretical framework is developed on the basis of institutional theory (DiMaggio, 2001; DiMaggio and Powell, 1983), resource dependency theory (Froelich, 1999; Pfeffer and Salancik, 2003), legitimacy theory (Jones, 1995), and concepts from accounting to identify the organizational characteristics that influence whether organizations measure their reach, signaling their evaluation capacity.

We start by reviewing the knowledge on the current status of evaluation practices in nonprofits. We then introduce the concept of reach, and discuss the conceptualization and operational challenges surrounding beneficiaries. Subsequently we detail our methodological framework in which we describe and justify our expectations, data and methods. In the final sections we discuss our results, the relevance and limitations of the concept of reach for nonprofit results accountability, and outline the implications of our findings for academia and practice.

3.2. Background

3.2.1. Evaluation Utility

Despite the compounding pressure on nonprofit organizations and their programs to demonstrate the difference that they make to society, specifically with evaluations of outcome and impact level effects, the available evidence points to the challenges nonprofits face in gathering meaningful data (Hoefler, 2000; Carman, 2007; Carman and Fredericks, 2010). For example, where 90% of 535 nonprofits in the US said they had evaluated their work in 2011, only 28% of them combined medium to high internal evaluation capacity, the existence of some evaluation tools (e.g., a logic model), and a

practice of at least annually engaging in the process (Morariu et al. 2012).

Three main causes can be identified for the difficulties faced by nonprofits in evaluating their results, especially evaluations that provide meaningful information that contributes to the learning and strategic decision-making in the organization. First, there is a lack of clarity about the various terms that are being used, including outcome and impact effects, and attribution analyses (Ebrahim and Rangan, 2010; White, 2010). What are understood as outcome effects by one organization, are considered to be impact effects by another; and what one perceives as a rigorous impact evaluation, is dismissed as lacking sufficient rigor by another (White, 2010).

Second, the conversation about evaluations of outcomes or impact often has an extreme focus on one or two aspects: identifying indicators and the superiority of certain measurement methods. In reality, evaluations consist of a whole range of elements, such as knowing what it is what you want to achieve, identifying for whom (your target population of beneficiaries) you wish to create value, and, oftentimes, outlaying the causal pathway through which this value will be created. It is essential that nonprofits identify what they want to gain from the evaluation, which questions they want it to answer and what they want to do with the results (Behn, 2003; Eckerd and Moulton, 2011). In turn, these evaluation questions and the desired purpose of the evaluation determine the whether the effects that need to be measured are at an output, outcome or impact level. Only then appropriate indicators can be developed, and, after balancing costs, time frame and rigor, the data collection technique can be determined (*Authors, YYYY – Liket, Rey Garcia, Maas, forthcoming*).

Third, many nonprofits lack the capacity to conduct evaluations that produce useful information (Carnochan, et al. 2013). Studies have shown that especially when nonprofits face strong upward accountability pressures, evaluations are often designed to suit the demands and conceptions of one dominant stakeholder (often the funder), while producing limited utility for the organization (Buckmaster, 1999; Henderson, Chase and Woodson, 2002; Campbell, 2002; Fine et al., 2000; Carman and Fredericks, 2008). More research into the contributors to this evaluation capacity of nonprofits is therefore needed.

3.2.2. Who is Evaluating?

In 2003, Henry and Mark concluded that the “big picture” on the status of evaluation practices in the nonprofits sector was largely unknown, due to a “serious shortage of rigorous systematic evidence” (Henry and Mark, 2003: 69). In the last decade, numerous efforts have been made to gain more insight into these evaluation practices. Eckerd and Moulton (2011) explored the extent to which the adoption and uses of evaluation by nonprofits reflect the strategic alignment with their heterogeneous roles. MacIndoe and Barman (2012) studied service providing nonprofits in the city of Boston to analyze how resource providers, networks, and internal stakeholders affect outcome measurement patterns. Marschall and Suárez (2013) research a sample of 135 international and local NGOs in Cambodia to investigate the factors that are associated with more extensive or sophisticated evaluation practices. In a large survey of US nonprofits, the Nonprofit Finance Fund (2013) reports that 53% of their respondents measure the long term impact of their programs regularly.

However, do these studies help us to truly gain a more accurate picture of the extent to which nonprofits are evaluating their programs considering outcome or impact level effects? First of all it is important to recognize the US-centered nature of these studies, coupled with their incoherent mixture of foci (organizational performance, organizational effectiveness, evaluation practices and methods, output, outcomes, and impact level effects, etc.). Second of all, the validity of most of these studies is at risk due to four main methodological biases.

First, the already discussed misconceptions of the relevant concepts such as outcomes, impact and attribution threaten the measurement validity of this research (*Authors, YYYY – Liket and Maas, forthcoming*). It is unclear to both different researchers as well as to practitioners what most of these concepts mean exactly. Second, as nonprofits are under strong pressure from donors and the public to evaluate their outcomes and impact, there is a risk of a severe desirability bias when surveys or other techniques of direct inquiry are used to unravel evaluation behavior (Fels Smith and Schorr, 2009; Eckerd and Moulton, 2011). Third, although some studies have attempted to circumvent a desirability bias by asking nonprofits to substantiate their subjective responses by which methods they deploy (e.g., balanced score card, logic model, SROI), it is still unclear in these cases whether these methods are truly used, and the depth to which they have been implemented (Eckerd and Moulton, 2011; Benjamin, 2012). Moreover, even if nonprofits accurately report their use of these methods, in many cases these methods do not specify the measurement of effects at the outcome and impact level per se. Often, they are simply frameworks that help identify stakeholders and indicators, but do not actually provide methodological standards of data collection. Fourth, most studies are unable to distinguish between those organizations that have adopted the evaluation rhetoric for symbolic reasons, and those

organizations that have the right capacities and behaviors in place to meaningfully engage in evaluation (Eckerd and Moulton, 2011; Benjamin, 2012). Consequently, direct inquiry is likely to lead to considerable overestimations of the number of nonprofits that evaluate – and are truly aware of – their outcomes and impact (Thomson, 2010; Henry and Mark, 2003; Eckerd and Moulton, 2011).

Rather than inquiring directly about evaluation practices, we argue that inquiring about reach – the number of beneficiaries that are affected by the intervention of a nonprofits organization – can provide an alternative and perhaps more useful way for researchers to gauge an organization’s capacities for results accountability. Especially when the numbers provided are substantiated with documentation. We believe there to be three main reasons why reach can function as a valuable proxy when researching the prevalence of practices that contribute to results accountability.

First, for organizations engaging in result evaluations, the measurement of reach is a prerequisite for the evaluation of outcome and impact effects (Benjamin, 2012). This is because the extent to which the lives of the beneficiaries of interventions have been affected or changed can only be determined when the organization tracks which beneficiaries it has affected (Benjamin, 2012). Second, any rigorous evaluation requires a solid sampling strategy, for the development of which the population of beneficiaries that have been reached needs to be known to the organization (Patton, 2005; Cook and Shadish, 1985). Third, the extent to which the organization is reaching its target population can only be evaluated when the number of beneficiaries affected relative to the target population of the nonprofit is known.

3.3. Who are the beneficiaries?

Reach can thus function as a crucial variable. However, measuring reach is not as straightforward as one might think, mostly because determining who the beneficiaries are can be complex. As Benjamin (2012) concluded in her study of 10 outcome measurement guides that were targeted to nonprofits, these guides weren’t uniform in their conceptualization of beneficiaries. From a theoretical perspective, a beneficiary is an individual to whom the nonprofit delivers a net benefit, i.e., a positive difference between the value of the service received and the fee paid, if any (Clotfelter, 1992). In the absence of owners, beneficiaries can be considered the main source of legitimacy for the existence of nonprofits (Drucker, 1990; Ebrahim, 2003). There is limited knowledge about who actually uses the services that nonprofits produce, and the overwhelming heterogeneity of intended and actual outputs and clientele substantially limit comparability. In order to ensure that a clear and consistent concept of beneficiaries is used throughout a study, it needs to be defined clearly. In his study we have defined beneficiaries through an extensive consultation with nonprofits about their conceptualizations and

measurements of their beneficiaries. The insights gained from these consultations with practitioners revealed that there are four main aspects to the definition of beneficiaries.

(1) Direct versus indirect beneficiaries

Almost all NPO interventions have a wide variety of effects on people other than the *direct* beneficiaries within the community, region, or country at large (Salamon, 1992). For example, the beneficiary of a midwife training could be the nurse, the mother, or the child, or all of them.

(2) Final versus intermediary beneficiaries

The channels of nonprofits can be characterized by a significant degree of intermediation. For example, some nonprofits such as Oxfam engage in grantmaking to other operating nonprofits, and thus the intermediary organizations are the ones that reach the *final beneficiaries* (Rey and Álvarez, 2011). Consequently, the grantmaking nonprofit might not collect this information from the intermediary organization, and there is a risk of double-counting beneficiaries.

(3) Counting uses versus counting users

When it comes to quantifying the beneficiaries of certain services, the number of uses rather than the number of users might be counted. For example, in the case of open-access activities and non-nominative services, such as cultural or environmental-related undertakings, an individual may visit an exhibition or use a library repeatedly during the period considered. In these cases, it would be helpful to develop a system within which these beneficiaries are not anonymous.

(4) Physical versus virtual beneficiaries

For operating nonprofits, a more recent type of challenge in conceptualizing beneficiaries is connected to the growing importance of the Internet. In cases where the provision of a service necessarily implies the physical presence of beneficiaries, the participating individuals are automatically included. However, the surge of fully virtual services has complicated the ability to determine the prerequisites that users of these services must comply with in order to be considered 'true' beneficiaries. Consequently, this has prompted a discussion on which of the delivered benefits should be considered core or ancillary to the nonprofits mission. For example, are the clients of an abuse prevention hotline

that runs through the web true beneficiaries? And what about a user of a nonprofit's social media activities?

On the basis of this discussion, in this research we define beneficiaries as *individuals who were the direct and final recipients of charitable donations or services delivered by nonprofits*. Therefore, the only individuals taken into account in this study are those who directly received cash or in-kind donations from the nonprofit; have physically participated in nonprofit's activities or programs, or have received a core service provided by the nonprofit either physically or through information technologies. Consequently, in this study reach is defined as *the number of individual beneficiaries directly and finally affected by nonprofits' interventions*.

3.4. Who Knows Their Reach?

Numerous theories shed light on the question which organizations are likely to measure their reach. For example, the adoption of measurement practices by nonprofits is likely to be influenced by several drivers at the institutional level, such as rules and belief systems (Hope et al., 2007; Joshi, 2001). Neo-institutional theory emphasizes the importance of mimetic pressures on organizations to emulate other organizations in their environment, particularly those perceived as being the most successful (DiMaggio and Powell, 1983). Moreover, legitimacy theory points to pressures originating from the unique environments and activities of organizations (Jones, 1995; McWilliams and Siegel, 2001; Shropshire and Hillman, 2007). Resource dependency theory explains how pressures originate from relationships with resource providers on which the organization is most dependent for its survival, such as its dominant funder (Froelich 1999; Pfeffer and Salancik, 2003). Finally, if measurement practices are conceptualized as a form of social accounting, differences in strategic management accounting behaviors are expected across institutional environments and organizations of various sizes (Cinquini and Tenucci, 2007; Khandwalla, 1972).

Drawing from these theories, we build a framework where we expect the following set of institutional and organizational drivers to influence whether nonprofits measure their reach: the degree of intermediation of the nonprofit channel through which they operate, their geographic scope, the area of activity they pursue, their size and age, the sources of funding they depend on, and their model of operation (figure 3-1 in the appendix). In the following paragraphs these drivers are discussed and corresponding hypotheses are formulated.

Type of beneficiaries

The longer the channel through which the nonprofit operates, the more difficult it is for them to measure their reach. An example of a nonprofit with a long channel would be one that donates its money to a partner nonprofit, which in turn works with numerous grassroots nonprofits to deliver services to the final beneficiaries. This is frequently the case with grantmaking foundation-type nonprofits, which has led US experts to conclude that: “in no other [nonprofits] subsector is it more difficult to identify the “clients” than it is in studying foundations” (Clotfelter, 1992, p. 21). Therefore, measuring reach for nonprofits serving other organizations ultimately depends on whether those intermediary organizations measure and report back on their own reach. Consequently, we posit that:

Hypothesis 1: nonprofits that benefit intermediary organizations are less likely to measure their reach than nonprofits that target individual beneficiaries

Geographic scope

Geographical proximity of the nonprofit to its beneficiaries facilitates their identification and quantification. Therefore, nonprofits running local or regional programs are expected to be more likely to measure their reach. Consequently, we posit that:

Hypothesis 2: nonprofits that operate programs at a local or regional level are more likely to measure their reach than nonprofits operating at a national or international level

Areas of activity

Isomorphic pressures homogenize organizational practices, as organizations perceive the need to imitate their peers in order to protect or increase their organizational legitimacy (DiMaggio and Powell, 1983; DiMaggio, 2001; Light, 2000). This isomorphism is strongest for organizations in similar environments (Shropshire and Hillman, 2007). Furthermore, evidence suggests that institutional pressures are consistent predictors of whether nonprofits adopt particular measurement practices (Eckerd and Moulton, 2010). Consequently, differences in measurement practices are expected to exist between organizations that operate in different nonprofits subsectors or activity areas.

For example, for nonprofits active in service provision and/or highly institutionalized areas, measuring reach might be easier. Additionally, doing so is more relevant for their financial sustainability. For example, nonprofits in domestic social assistance and international cooperation

programs often compete for service contracts or calls for public funding that require reporting on reach (Woller and Parsons, 2002; Rey, Alvarez and Valls, 2013; Kinsbergen, Tolsman and Ruiters, 2013). In contrast, nonprofits active in areas that focus on influencing social behaviors or spreading ideas, such as environmental, advocacy, and religious organizations, or business and professional associations, tend to measure their reach to a lesser extent as the measurement and attribution or causality challenges are greater. Consequently, we posit that:

Hypothesis 3: nonprofits which area of activity mainly implies the provision of services, either domestically or within international development programs, are more likely to measure their reach as compared to nonprofits that operate in other areas of activity

Size

As large nonprofits are relatively more visible, institutional and legitimacy theory predicts them to be subject to more substantive legitimacy pressures, resulting in larger organizations facing more accountability pressures from society (Meyer and Rowan, 1977; Margolis and Walsh, 2003). Moreover, larger organizations are generally more willing to use sophisticated accounting methods (Maas and Liket, 2011b; Cinquini and Tenucci, 2007; Guilding et al., 2000), thereby increasing the likelihood that they systematically collect data on their reach. Additionally, similar to for-profit organizations, one would expect that the importance attached by nonprofits to measurement in general increases as their expenditures rise (Carrigan, 1997; Tokarski, 1999). Consequently, we posit that:

Hypothesis 4: Larger nonprofits are more likely to measure their reach than smaller nonprofits

Age

Younger nonprofits, those that are born in the evaluation age, are likely to be subjected to a greater extent to both mimetic and normative pressures to measure. They are born into the age of the outcome and impact hype, and a more general trend of extensive adoption of management techniques that originate from the business world (Rey, Alvarez and Bello, 2013; Ebrahim and Rangan, 2010; Benjamin, 2012; MacIndoe and Barman, 2012). Furthermore, younger nonprofits might be more prone to resource dependency from external funders that demand measurement. Consequently, we posit that:

Hypothesis 5: Younger nonprofits are more likely to measure their reach than older nonprofits

Sources of Funding

Evidence suggests that pressures from donors are a main driver for the adoption of measurement practices by nonprofits across countries. In the US, funders have been repeatedly identified as the highest priority audience for measurements (Reed and Morariu, 2010). A recent survey of US nonprofits found that 54% of the respondents measured because they were asked by funders to report on their long-term impact (nonprofits Finance Fund, 2013). In the UK, 52% of nonprofits surveyed by Ógáin and others (2012) reported that they had recently increased their measurement efforts in response to their funders' requirements.

The effects of resource-dependency on the evaluation practices of nonprofits might vary for different types of funders. Public funders are perceived to have relatively stringent requirements around monitoring, evaluating, and reporting (Ógáin et al., 2012). Private institutional donors – foundations and corporations – tend to be professionally managed and expect measurable returns on their giving (Rey, Alvarez and Bello, 2013). Nonprofits competing for service provision contracts frequently need to monitor and report the number of clients served. In contrast, nonprofits that are mainly funded by individual donors might not experience measurement as a key requirement (Ógáin et al., 2012). Therefore, we posit that:

Hypothesis 6: nonprofits with institutional sources of funding (foundation grants, corporate grants or government subsidies), and nonprofits that generate their income through fees for their products and services, are more likely to measure their reach than nonprofits that rely on individual donations.

Model of activity

Nonprofits can adopt operating models that are geared towards redistribution, service provision, or social mobilization. For nonprofits with a redistributive model, a beneficiary is the recipient of a donation or grant. In the services provision model, the beneficiary is the client receiving the service. In both instances, nonprofits are in most cases able to measure their reach. In contrast, when an NPO operates with a model that aims to raise public awareness, measuring reach can be much more challenging. Consequently, we posit that:

Hypothesis 7: nonprofits that redistribute resources through grants or nonprofits that deliver services are more likely to measure their reach than nonprofits who aim at mobilizing societal support

3.5. Methods

Unit of analysis

In the case of the Spanish nonprofits that we studied, nonprofits have been defined as entities that: have their own legal personality, do not distribute profits, aim to pursue the public benefit, have been constituted and inscribed as such before the corresponding registry, and are of a private nature and fundamentally subject to private law (Rey and Alvarez, 2011). In the Dutch case, nonprofits are classified using the definition offered by *Knowledgebank Philanthropy*, which is: “a not-for-profit organization with the aim to improve the situation of a specific target group or society as a whole, who realizes its goals with financial resources that are fundraised in the Netherlands”. Additionally, the following characteristics applied to all Dutch organizations included in this study: they are not-for-profit (they have no pure political, religious, or commercial goals); they are registered with the Dutch Chamber of Commerce as nonprofits; the beneficiaries and founders are clearly different, and the most important source of their income comes from fundraising within the Netherlands.

Data

The Spanish data was collected through an online survey. This was complemented with multiple secondary sources that were part of a research project carried out by the Institute for Strategic Analysis of Foundations (INAEF), and which was used as a basis for the data collection. The online questionnaire was sent in 2010 to the whole universe of active nonprofits in Spain, consisting of a total of 9,050 organizations identified by the INAEF project as of 31/12/2009. A sample of 2,229 nonprofits completed at least a portion of the questionnaire.

The Dutch dataset was collected through a short online survey that was distributed by the Dutch *Knowledgebank Philanthropy*, the central institute for data collection about nonprofits in the Netherlands. As of November 2012, the database consisted of 5,614 of the estimated total of 9,000 nonprofits in the Netherlands that would fit with our definition.

Because of the use of self-reported data and a single key respondent, several steps were taken in the Spanish and Dutch surveys to alleviate potential common method bias. As Podsakoff et al. (2003) recommend, the questionnaire included a psychological separation between the four parts structuring it: (1) general data of the foundation, (2) contact data of the foundation, (3) activities and beneficiaries, and (4) economic and human resources. Thereby the questionnaire sought to avoid any direct connection between the measurement of the predictor and the criterion variables. Moreover, two additional procedures were implemented to reduce method biases by (1) allowing respondents'

answers to be anonymous, and (2) carefully constructing the items to reduce item ambiguity, particularly through a pretest.

In the Spanish survey, the information was provided by the person in charge of daily activities and decisions of the nonprofit, regardless of his or her formal title. In the Dutch survey, the official registered with the *Knowledgebank Philanthropy* received the invitation to fill out the survey, which, in the case of smaller nonprofits was a board member, and mainly people from the communication department in the cases of larger organizations. In both cases, respondents exhibited full knowledge of the purpose, structure, and functions of their corresponding organization as a whole.

In the Appendix, the way in which the dependent and independent variables in our model were measured is explained in detail.

Analysis

In the online surveys, nonprofits were asked about the total number of beneficiaries their activities had reached during the previous year (see Appendix for the exact questions). A total of 835 Spanish nonprofits provided data on their reach. The final subsample was reduced to the 650 nonprofits that provided complete information about all the independent variables in the model. A total of 905 of the 5,614 Dutch nonprofits that were contacted to participate in the survey responded, of which 392 organizations provided the number of beneficiaries they reached during the past year. The final subsample of Dutch nonprofits was reduced to 352, and included only those that also provided complete information about all the independent variables in the model.

Table 3-1 Describing Spanish and Dutch nonprofits

	Valid Percent of Spanish nonprofits	Valid Percent of Dutch nonprofits
Type of beneficiaries		
Individuals	96.2	33.9%
Organizations	61.5	66.1%
Geographic scope		
Local, county, province, or region	52.8	
National	30.0	45.7%
International	17.2	54.3%
Areas of activity		
Culture-recreation	43.4	8.9%
Education-research	49.7	9.6%
Health	20.0	15.9%
Social services	36.0	39.3%
Environment	11.4	7.5%
Development-housing	34.0	-
Civic and advocacy	7.5	5.0%
International	18.6	12.7%
Religion	2.8	1.5%
Business and professional associations...	3.2	-
Size		
Micro or small	51.1	81.6%
Medium	28.2	12.8%
Big, macro or mega	20.8	5.6%
Age		
Before 2002	66.0	55.8%
After 2002	34.0	44.2%
Sources of funding		
Fees from services	56.0%	18.3%
Individual donations	31.4%	93.9%
Foundation grants	7.7%	24.4%
Corporate donations	33.4%	21.3%
Public subsidies	60.2%	17.4%
Models of activity		
Service providing	74.6	73.2%
Redistributive	33.1	47.9%
Advocacy	19.8	8.5%

The profile of the 650 Spanish nonprofits and the 352 Dutch nonprofits in the final samples were characterized according to basic descriptors formulated by the INAEF (Table 3-1). In the Spanish case, the sample consisted mostly of small, young, service providing, and local or national nonprofits that are mainly active in the realms of education, research and culture. They are mainly funded through

public subsidies and fees for services. In the Dutch case, respondents were also mainly small service-providing organizations, most of which are active in the social domain. However, in contrast to the Spanish sample, the nonprofits in the Dutch sample are slightly younger (44.2% were constituted after 2002 versus 34% of the Spanish nonprofits), and are overwhelmingly funded through individual donations.

In order to identify the variables that affect the measurement capacity of nonprofits, and to test our hypotheses, a logistic regression analysis was performed.

3.6. Findings

The results of our logistic regression are summarized in Table 3-2 below. We find that nonprofits whose beneficiaries are organizations are less likely to measure their reach, thus supporting Hypothesis 1. In the Spanish case, nonprofits targeting individual beneficiaries are more likely to measure their reach ($B=.843$; $\text{Sig.}<0.1$) than nonprofits that target organizations ($B=-.396$; $\text{Sig.}<0.05$). In the case of the Netherlands, nonprofits targeting organizations are also less likely to measure their reach ($B=-.914$; $\text{Sig.}<0.05$), while it could not be verified that the probability of measuring reach is significantly higher among those serving individual beneficiaries.

We also find supporting evidence for Hypothesis 2 as Spanish nonprofits that operate on a local or regional level are more likely to measure their reach than nonprofits with a national/international scope ($B=.375$; $\text{Sig.}<0.05$). However, this has not been verified in the Dutch case as a much larger proportion of nonprofits operate internationally in the Netherlands in comparison to Spain. As a result, there might be relatively more pressures for organizations in the Netherlands to demonstrate their effectiveness through evaluations, making the difference between the measurement practices of local and national versus international nonprofits smaller and unobservable in our sample.

We find that the area of activity affects evaluation capacity, as Spanish nonprofits that engage in social services, and those from the country engaging in international development are more likely to measure their reach as compared to nonprofits engaged in other areas of activity ($B=.630$; $\text{Sig.}<0.01$). In the case of Spain, this effect may be reinforced by the fact that these two subsectors have experienced the highest degree of institutional development within the nonprofits sector. This supports Hypothesis 3. However, similar evidence cannot be observed for the Netherlands. Compared to the large share of Dutch nonprofits that have an international scope (54.3%), only a very small percentage of them indicated that they active in the sector of international development (12.7%). This might be because these Dutch nonprofits perceive themselves as operating in the area of education or health rather than international development.

We found supporting evidence for Hypothesis 4, which predicted larger nonprofits to be more likely to measure their reach (Spanish nonprofits: $B=.187$; $\text{Sig.}<0.05$; Dutch nonprofits: $B=.236$; $\text{Sig.}<0.05$).

A significant effect was also observed for the age of nonprofits, although this effect was contrary to what we had hypothesized. Older nonprofits are *more* and not less likely to measure their reach (Spanish nonprofits: $B=.774$; $\text{Sig.}<0.1$; Dutch nonprofits: $B=.460$; $\text{Sig.}<0.05$). However, in the case of Spanish nonprofits, the positive effect of older age on the likelihood for measurement interacts with the size of organization. Specifically, the older the NPO, the more likely it is that it measures its reach. However, the effect only holds up to a limit of 26.59 years. From that age onwards, the effect reverses to a negative relationship, and as Hypothesis 5 posited, the probability that reach is known diminishes. For the Dutch NPOs, the interaction effect between age and size is not significant at any level.

Table 3-2 Results for Spain and the Netherlands

	Spain						The Netherlands					
	B	E.T.	Wald	gl	Sig.	Exp(B)	B	E.T.	Wald	gl	Sig.	Exp(B)
Type of beneficiaries												
Organizations	-.396	.189	4.395	1	.036	.673	-.914	.296	9.524	1	.002	.401
Individuals	.843	.442	3.636	1	.057	2.323	.099	.361	.075	1	.784	1.104
Geographic scope												
Local or regional	.357	.181	3.907	1	.048	1.429						
Local, regional or national							.066	.279	.056	1	.814	1.068
Areas of activity												
Social services + International	.630	.189	11.106	1	.001	1.878	-.074	.243	.094	1	.759	.928
Size												
Log_Size (incomes in euros)	.187	.079	5.570	1	.018	1.205	.236	.083	8.115	1	.004	1.266
Age												
Log_Age (number of years since creation)	.774	.412	3.531	1	.060	2.169	.460	.234	3.849	1	.050	1.584
Log_Age * Log_Size	-.057	.032	3.176	1	.075	.945						
Sources of funding												
Fees from services	.466	.189	4.543	1	.014	1.594	.234	.277	.712	1	.399	1.263
Individual donations	.421	.207	4.121	1	.042	1.523	-.284	.514	.306	1	.580	.752
Public subsidies	-.072	.188	1.46	1	.702	1.075	-.210	.336	.390	1	.532	.811
Private Foundations donations	.719	.364	3.896	1	.048	2.052	.607	.310	3.825	1	.051	1.834
Corporate Donations	-.231	.191	1.459	1	.227	.794	.349	.314	1.230	1	.267	1.417
Models of activity												
Service providing	.054	.245	.048	1	.826	1.055	-.376	.308	1.485	1	.223	.687
Redistributive	.496	.232	4.543	1	.033	1.641	-.237	.315	.567	1	.452	.789
Advocacy	-.165	.235	.491	1	.483	.848	-.021	.615	.001	1	.972	1.022
Constant	-3.430	1.112	9.521	1	.002	.032	.879	.687	1.639	1	.200	2.408

Spanish Model R square of Nagelkerke: .124

Dutch Model R square of Nagelkerke: .109

The results partially contradict our Hypothesis 6. In the Spanish case, the probability that reach is measured is higher among nonprofits that generate their income through fees from their products and services ($B=.466$; $\text{Sig.}<0.05$) or other foundation grants ($B=.719$; $\text{Sig.}<0.01$). However, it is also larger among those receiving individual donations ($B=.421$; $\text{Sig.}<0.05$). In the case of the Netherlands, this probability is only greater among nonprofits receiving donations from private foundations ($B=.607$; $\text{Sig.}<0.1$), with no significant results for other sources.

Finally, regarding the models of activity of nonprofits (Hypothesis 7), the probability that Spanish nonprofits provide reach is greater mainly among those adopting a redistributive role; the adoption of operating or social mobilization roles have no significant effect on such probability. In the case of the Netherlands, no significant results are obtained for this variable. This finding further confirms that challenges faced by practitioners when trying to measure reach are too significant to be disregarded, except in the case of nonprofits with a model of activity that mainly consists of giving grants to individuals (a model which has been adopted by only a minority of nonprofits in both countries).

3.7. Discussion and Conclusions

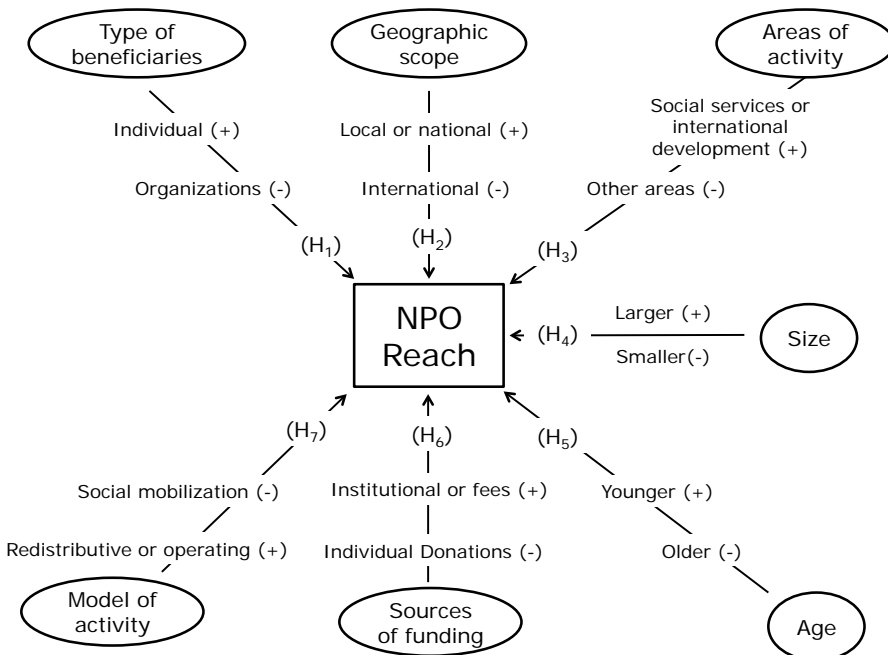
The empirical findings confirm our assumption that the outcome and impact evaluation rhetoric, which alleges nonprofit practices to have long overcome simple output measurements, is premature. The results show that a substantial share of nonprofit organizations do not measure their reach, which implies both a general lack of performance measurement in these organizations as well as a lack of more sophisticated evaluation of outcome or impact level effects. Moreover, the lack of measurement of reach might be caused by the difficulties nonprofits face when attempting to measure reach. In response, we provide clarity about the concept of beneficiaries, and we discuss the conceptual and operational challenges when measuring reach. Moreover, our results present a contrast to the rising number of studies that report an increase in organizations' abilities to evaluate their outcomes and impact (Reed and Morariu, 2010; Morariu et al. 2012; Nonprofit Finance Fund, 2013). Instead they indicate that a substantial share of nonprofits do not know the number of beneficiaries that they reach, and are therefore highly unlikely to evaluate the difference that their interventions have made to the lives of their beneficiaries.

The results also provide rigorous empirical insights into the organizational determinants of the evaluation capacity of nonprofits. In light of the lack of knowledge about the internal struggles of nonprofits in their evaluation practices, these results identify both cross-national or context specific hurdles that prevent them from engaging in impact measurement. Thereby, they facilitate highly needed evaluation capacity building efforts (Thomson, 2010; Carman, 2007; Carman and Fredericks, 2010; Light, 2004).

It is important to clarify that we do not in any way argue that an organization’s ability to specify its reach is analogous to the evaluation of its outcomes or impact. Reach is simply a function of counting the number of beneficiaries affected by the NPO; it does not say anything about the way in which the lives of these individuals have changed as a result of the interventions. Nor does it say anything about the sustainability of these changes, which requires rigorous outcome and impact evaluations (White, 2010; Ebrahim and Rangan, 2010).

Most importantly, this research demonstrates the need to re-ground evaluation practices in nonprofits. This re-grounding is needed not only in order to materially advance practices in the sector, but also to avoid the risk of turning evaluation into just another symbolic ritual of verification. If beneficiaries are defined as the human beings who experience a change as a result of the intervention of a nonprofit, managerial knowledge about who and how many they are, along with their needs and expectations, and the extent to which the relationship with them is managed, is the key to mission accomplishment by nonprofits. Consequently evaluation practices must be grounded upon the proper identification and characterization of different types of beneficiaries, as this is the key prerequisite for measuring the eventual changes in their wellbeing that are derived from nonprofit interventions.

Figure 3-1 Organizational characteristics driving measurement of reach (model)



Appendix

Measurement of variables used in the regression analysis

Dependent variable

It measures whether nonprofits provided their reach (dichotomous): coded 1 for reach known and 0 for reach unknown.

Question used in the Spanish survey: *“Please estimate the number of individuals who have physically participated in your foundation’s activities or programs, who have received services provided by you (even if those services did not require them to be physically present), and/or who have received cash or in-kind grants during the previous year”*. Further clarification on which profiles of beneficiaries/benefits to include in/exclude from the reach estimates was provided to respondents on demand.

Question used in the Dutch survey (multiple choice): *“Is the number of beneficiaries that your organization has reached in the past year known?”*, followed up by an open question: *“If the answer to the previous question was yes, please provide (an estimation of) the number of beneficiaries* your organization reached in the past year (*beneficiaries = person or other entity to which the services were provided)”*.

Independent variables

Type of beneficiaries

This variable is indicative of the degree of intermediation of the nonprofits channel through which the NPO operates. There are two options: (a) individuals, and (b) organizations.

Geographic scope

In the Spanish case, there exist three levels: (a) local (includes local, county, province, or region), (b) national, and (c) international. In the Dutch case, only two options exist: (a) national (includes local, region or nation), and (b) international.

Areas of activity

The areas of activity were, for the sake of international comparability, classified according to the International Classification of nonprofits Organizations (ICNPO). It consists of ten categories: (a) culture-recreation, (b) education-research, (c) health, (d) social services, (e) environment, (f) development (e.g., housing), (g) civic and advocacy, (h) international, (i) religion, and (j) nonprofits

connected to business and professional associations, and trade unions. It should be noted that both “f” and “j” are irrelevant in the Dutch context, as these types of services are almost always provided by governmental organizations.

Size

Size is based on the income volume of the NPO. There are three options that vary slightly between the Dutch and the Spanish case: (a) micro or small nonprofits (until 500,000 Euros), (b) medium (between 500,000 and in the Spanish case 2,400,000 Euros, and the Dutch case 2,500,000) and (c) big, macro or mega nonprofits (over 2,400,000 Euros in the Spanish case, over 2,500,000 Euros in the Dutch case).

Age

Age of the NPO is calculated from the year of constitution and categorized as follows: (a) until 2002, and (b) after 2002. The coming of age of an NPO is therefore established at one decade of operations. Furthermore, in the case of Spain, 2002 means an institutional turning point, as it is the year of promulgation of the Foundation Law currently in force.

Sources of funding

This variable is operationalized through five options: (a) Fees from services, (b) Donations from individuals, (c) Donations from private foundations, (d) Donations from firms and (e) Public subsidies.

Models of activity

Three categories exist: (a) service providing or operating, (b) redistributing (i.e., mainly making donations or grants), and (c) advocating to raise public awareness and mobilize public participation.

Chapter 4

Why Aren't Evaluations Working and What to Do About it:

A Framework for Negotiating Meaningful Evaluation in Nonprofits¹³

Abstract

Nonprofit organizations are under great pressure to use evaluations to show that their programs 'work' and that they are 'effective'. However, empirical evidence indicates that nonprofits struggle to perform useful evaluations, especially when conducted under accountability pressures. An increasing body of evidence highlights the crucial role of a participatory negotiation process between nonprofits and stakeholders on the purpose and design of evaluations in achieving evaluation utility. However, conceptual confusion about the evaluation objectives, unclear evaluation purposes, a lack of appropriate evaluation questions, and normative ideas about superior evaluation designs and methods, complicate the process. In response, we provide practical conceptualizations of the central objectives of evaluations, and propose a framework that can guide negotiation processes. It presents the relationships between the evaluation purpose, evaluation question, and the different levels of effects that should be measured. The selection of the evaluation method is contingent on the choices made within this framework.

¹³ This chapter is based upon:

Liket, K.C., Rey-Garcia, M. and Maas, K.E.H. (forthcoming). Why Aren't Evaluations Working and What to Do About it: A Framework for Negotiating Meaningful Evaluation in Nonprofits. *American Journal of Evaluation* (Accepted for Publication)

4.1. Introduction

Nonprofit organizations are under great pressure to demonstrate their *raison d'être* through the use of evaluations (Wholey and Newcomer, 1997; Ebrahim and Rangan, 2010; Ostrower, 2004). In the 1990s, the emphasis in the nonprofit sector was on performance measurement, with tools such as the Balanced ScoreCard being popular. In the 2000s, this focus shifted to organizational and program effectiveness through the use of outcome and impact evaluations, specifically experimental evaluations that provide a high degree of methodological rigor (Kaplan and Grossman, 2010; Ebrahim and Rangan, 2010; Poole, Davis, Reisman and Nelson, 2001; Trevisan, 2007). In 2010, the Foundation Centre launched the TRASI database (Tools and Resources for Assessing Social Impact) to assist nonprofits in the selection of impact evaluation tools. The TRASI database currently contains 169 evaluation approaches, which illustrates the overwhelming range of options that nonprofits face today (for a review of the most commonly used approaches by nonprofits, see Rey-Garcia, Alvarez-Gonzalez and Bello-Acebron, 2013).

Despite the attention given to evaluations, and specifically the current emphasis on what Ebrahim and Rangan referred to as the 'impact mantra' (2010, p.2), empirical studies indicate that nonprofit organizations have made only marginal progress in their evaluation practices (Sheehan, 1996; Fine, Thayer and Coghlan, 2000; Hoefler, 2000; Wiener, Kirsch and McCormack, 2002; Sawhill and Williamson, 2001; Light, 2004; Carman, 2007; Carman and Fredericks, 2010). As Hoefler (2000) noted, nonprofits are increasingly engaged in evaluating their organizations, programs and projects, but the utilization of these evaluations is often low and frequently results in organizations finding themselves 'drowning' in data that does not contribute to their strategic decision-making (Snibbe, 2006, p.39).

Studies have shown the crucial role of collaboration between nonprofits and their stakeholders when designing and conducting evaluations, as this serves to ensure the eventual utility of evaluations. However, there are a number of obstacles that impede effective communication in this collaborative process, the most noted being conceptual confusions and normative beliefs regarding the kinds and magnitude of the data that must be collected, as well as a lack of clarity on selecting evaluation methods. Moreover, to the best of our knowledge, no practical frameworks or tools have been created that offer clear definitions and explain the interrelations between objectives of the evaluation and data collection, and which could thereby assist nonprofit organizations and their stakeholders in their collaborative evaluation design and implementation process. While the evaluation literature provides extensive advice and evidence of factors that contribute to the utilization of evaluations, most of these focus on the skill set of the professional evaluator. In the case of nonprofit organizations, often there is

not a budget available to employ professional evaluators or to hire external evaluators, and a program manager or other member of staff is selected to lead or conduct the evaluation instead.

To aid nonprofits and their stakeholders in addressing these obstacles, we have developed a practical framework that provides them with a shared language when collaboratively designing and implementing their evaluations. The framework ties together the evaluation objective (e.g., organizational effectiveness), the purpose of the evaluation (e.g., to improve a program), the specific evaluation question (e.g., can we contribute to the mission more cost-effectively?), and the level of effects at which the data must be collected (e.g., impact). Consequently, we illustrate how the selection of the evaluation method (e.g., randomized controlled trial) is contingent on the outcome of this framework. In order to achieve that goal, we first conducted a focused review of the literature to analyse the pressures and confusions in the nonprofit sector that hamper the utility of their evaluations. This allowed us to propose practical definitions of the evaluation objectives, and to clarify how they relate to one another. On the basis of these concepts, we developed a framework that captures the steps described above, and allows nonprofits to overcome the obstacles to meaningful evaluation.

4.2. Background

Determinants of the utility of evaluations

As Snibbe observed, “Conducting evaluations that are truly useful is much easier said than done” (2006, p.40). Studies show that this is especially the case when nonprofits face strong upward accountability pressures. When evaluations are designed to suit the demands and conceptions of one dominant stakeholder (often the funder), that can result in diverting limited resources away from program activities without producing any value for the social mission of the organization (Ebrahim and Rangan, 2010; Buckmaster, 1999; Henderson, Chase and Woodson, 2002; Campbell, 2002; Fine et al., 2000; Carman and Fredericks, 2008).

In the evaluation literature there is a rich and growing body of knowledge about the utility of evaluations. The approach to evaluation known as utilization-focused evaluation perceives the purpose of any evaluation to be defined by the utility of the information it provides to its users, where users can be multiple stakeholders including funders, the nonprofit board, program staff, and so on (Patton, 2008; Patton, 2001; Alkin, 1985; Howell and Yemane, 2006). This school of thought points to numerous factors that contribute to the utility of evaluations, such as building organizational readiness for (useful) evaluations and informing intended users of the potential controversies and limitations of their methodological choices (Alkin, 1985; Patton, 2008; Patton, 2001). In the nonprofit literature, other factors that contribute to the increased utilization of evaluations have also been

identified. These include the user-friendliness of evaluations and their results (Hoefler, 2000), the education of the decision-makers (Cousins and Leithwood, 1986), the attitude of the stakeholders, and the inclusion of people with evaluation experience. However, multiple authors have argued that the extent to which evaluators interact with their stakeholders is the most important contributor to the utility of evaluations (Hoefler, 2000; Fine et al., 2000; Campbell, 2002). For example, in their survey on evaluation use in US nonprofits, Fine et al. (2000) found that nonprofits were much more likely to judge their evaluations useful when they were designed in collaboration with other stakeholders.

This emphasis on collaboration is the essence of the approach to evaluation known as fourth-generation evaluation (FGE), that adopts a constructivist view of evaluation knowledge and where relevant stakeholders engage in a negotiation process to agree on the terms of the evaluation (Guba and Lincoln, 1989; Lewicki, Barry, Saunders, and Minton, 2003). Participatory approaches, such as FGE, increase the quality of both the evaluation results and their utilization in program improvement and decision-making because they build trust, create shared values, and stimulate creativity (Fetterman, 1994; Taylor and Sumariwalla, 1993; Bozzo, 2000; Fetterman, 1994). As Bozzo (2000) put it, "For evaluation to be part of a continual improvement exercise and for organizational learning to take place, there should be greater control over the process by those involved in programs and services (that is, staff, participants, and clients), and there must be greater negotiation about the parameters of the process with those who are mandating evaluation" (p.467).

Obstacles to Collaboration

First, this negotiation process is greatly hampered by the confusion among nonprofit managers and their stakeholders about the objectives of an evaluation. Despite a rich body of research on the relevance of evaluations, most authors have failed to provide explicit definitions of evaluation objectives, such as effectiveness and performance. This lack of clear conceptualization has resulted in conflicts and confusions in academia, which are "magnified on the frontlines of the social sector" (Snibbe, 2006, p.40). As Snibbe put it: "A first source of puzzlement is all the jargon through which grantees must wade. Add to this confusion the fact that there are no consistent definitions for the jargon, and grantees are positively bewildered" (2006, p.40).

The second obstacle stems from the normative beliefs that stakeholders, mostly funders, and sometimes nonprofits themselves, hold about evaluations. First, there are strong beliefs that every evaluation needs to collect data at the outcome and impact level (Sheehan, 1996; Campbell, 2002; Plantz, Greenway, and Hendricks, 1997; Quarter and Richmond, 2001; Poole et al., 2001). However, there is also substantial confusion in the nonprofit sector regarding the conceptualization of, and distinction between, the terms *outcome* and *impact*. What some funders refer to as outcomes, others

call impact. Where some understand impact to refer to achieving the immediate goals of projects, programs or the organization, others regard impact from a societal perspective and focus on community or societal level changes (Poole, Davis, Reisman, and Nelson, 2001; Campbell, 2002). Second, given that stakeholders, governmental, and especially larger philanthropic funders, are increasingly demanding the use of rigorous evaluation methods, there is a tendency to advocate for the exclusive use of “gold-standard” methods (White, 2010; Stame, 2010; Ton, 2012; Fels Smith and Schorr, 2009). This emphasis on experimental methods has resulted in a disproportionate amount of attention to the rigor of evaluations, often at the expense of considerations of utility (Jones, 2009; Jones, Jones, Steer, and Datta, 2009; Rogers, 2009; Khagram, Thomas, Lucero, and Matthes, 2009; Duflo, Glennerster, and Kremer, 2007; Picciotto, 2012; Stame, 2010; Chambers, Karlan, Ravaillion, and Rogers, 2009; Ton, 2012; White, 2010). Moreover, advocates of the exclusive use of gold standard methods are often insufficiently aware of their individual limitations, and how their proper use is contingent on specific evaluation purposes and questions.

4.3. Performance and Effectiveness

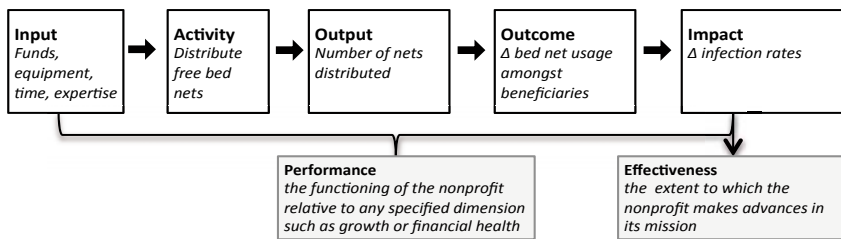
Numerous nonprofit scholars have used performance and effectiveness as analogous concepts (e.g., Kaplan, 2001; Brown, 2005; Grossman, 1999). However, performance is generally linked to a wider range of dimensions such as organizational growth and financial health. In contrast, notions of effectiveness are more context-specific but also vary widely. Organizational effectiveness is most often associated with the achievement of organizational goals, and in particular, goals that relate to the organization’s public benefit mission.

To grasp the meaning of the effectiveness of nonprofit organizations, it is useful to recall that the essential characteristic distinguishing these organizations from governmental and for-profit organizations is their public benefit (as opposed to for-profit and mutual benefit purposes; see Steinberg and Powell, 2006). This public benefit is officially enshrined in mission statements, although in practice the ability of mission statements to capture clearly and succinctly the idea of public benefit varies greatly (Armitage and Scholey, 2004; Kaplan, 2001; Sawhill and Williamson, 2001; Sheehan, 1996; Buckmaster, 1999). In cases where a nonprofit’s mission statement clearly articulates its desire to contribute to public benefit, then that goal is the most appropriate and meaningful definition of organizational effectiveness (Sheehan, 1996; McDonald, 2007; Bagnoli and Megali, 2011; Bennett and Sargeant, 2005). Thus, effectiveness is determined by the size of the effect at the last stage of the social value chain—this is the organization’s impact as shown in Figure 3-1.

In contrast, performance is a much broader concept, and therefore best defined as how well the organization functions in some specific dimension such as growth or financial health (Brown, 2005).

It is always necessary to specify the dimension relative to which an organization, program or project performs; an organization cannot simply be 'high performing' as such. In contrast to effectiveness, the specific dimension relative to which the performance is evaluated can relate to any stage of the social value chain, including input, activity, output, outcome and impact. In general, to be considered effective in terms of achieving its mission, an organization must demonstrate high performance on all these intermediate dimensions as a financially healthy, well reputed or growing nonprofit. Organizations that perform well in these kinds of dimensions are more likely to be successful in serving their beneficiaries effectively and thereby achieving their mission.

Figure 4-1 Performance and effectiveness in the social value chain



It is important to note that performance and effectiveness also relate to the program or project level. In some cases programs and projects might have more specific goals that are distilled from the organization's mission. Consequently, their performance and effectiveness might be defined relative to these goals if the purpose is not to aggregate the evaluation results to the organizational level.

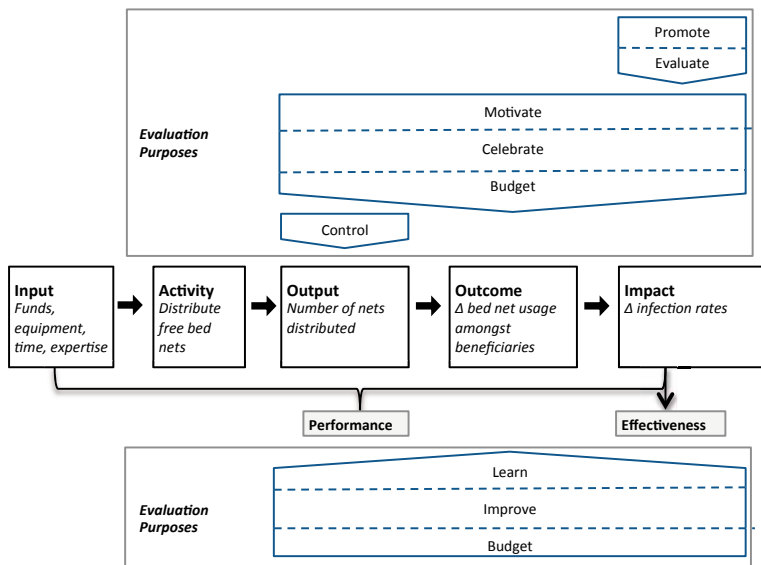
4.4. Evaluation Purpose

The evaluation of effectiveness and performance can fulfill different purposes. In his survey, Hoefler (2000) found that nonprofits had a variety of aims for their evaluations: 57 percent of the surveyed organizations wanted to use their evaluation results to ensure internal control, 51 percent were simply curious about their effects, 42 percent wanted to use the results for commercial reasons, and 39 percent conducted the evaluation at least in part because of funder requirements.

In his authoritative work, Behn (2003) identified eight main evaluation purposes that managers of public organizations might aim to achieve—control, budget, celebrate, motivate, promote, evaluate, learn, and improve—as shown in Figure 4-2. As Behn (2003) explained, when evaluating for the purpose of *control* the nonprofit or its stakeholders want to know whether the organization is complying with rules, guidelines or agreements. For example, whether teachers are adhering to the curriculum, or whether a school is built within the planned timeframe. The *budget* purpose is about

the allocation of resources over the various programs, people and projects. Evaluations can give cause to *celebrate*, where the aim is to uncover which accomplishments can be selected to celebrate the organization's successes. Closely related to celebration is *motivation*, which concerns the production of information that will motivate the relevant stakeholders. The *promotion* purpose has the aim of convincing stakeholders that the nonprofit is doing a good job. When information is collected with the purpose of revealing the performance of the nonprofit, Behn (2003) labeled the function as *evaluate*. The *learning* purpose aims to uncover what is working and what is not working. The *improvement* purpose also aims to get a clear idea of what should be done differently to improve performance (Behn, 2003).

Figure 4-2 Evaluation purposes

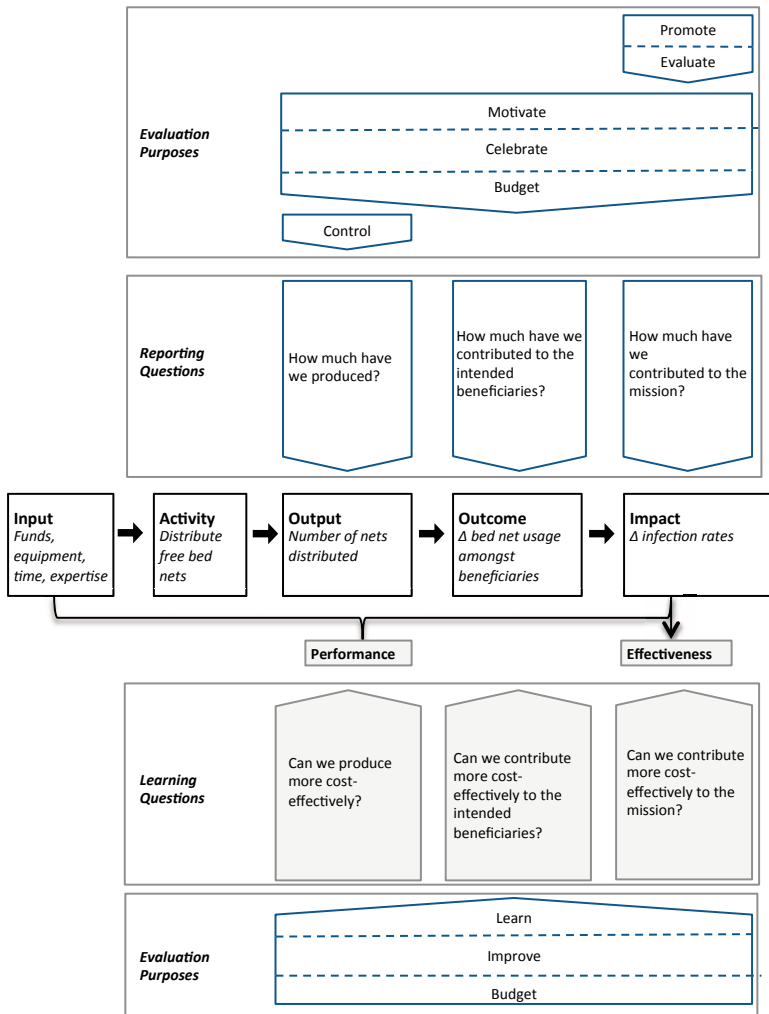


4.5. Evaluation Question

Because most of these purposes can focus on various stages of the social value chain, evaluation questions need to be specifically formulated to focus the investigation. In line with the evaluation literature, we distinguish between two types of evaluation questions: reporting (summative) and learning (formative) questions (Patton, 2008). A reporting question relates to the level of production (e.g., the number of bed nets distributed through a free bed net distribution program) at the different stages of the social value chain. A learning question relates to the comparative cost-effectiveness (e.g., the number of bed nets distributed with a free program versus a subsidized program) at the various stages of the social value chain. The distinction between these two types of questions is illustrated in Figure 4-3.

To enable evaluations to provide information that answers learning questions, a benchmark needs to be identified. The level of analysis at which this benchmark is selected depends on the unit of analysis of the evaluation. For example, does it focus on the organization as the unit of analysis, or a specific program or project? Where the organization is the unit of analysis, evidence on the performance or effectiveness of another organization with a similar mission can be used as benchmark. Where the evaluation is focused on a program or project, evidence of the performance or effectiveness of other programs or projects with similar goals can be used as a benchmark. These might be programs or projects within the organization itself or from another organization. Alternatively, evidence of benchmarks might not be available, in which case it has to be collected. The cost of including a benchmark organization, program, or project, in the evaluation can be significantly lower than conducting two separate evaluations. When the nonprofit does not have a suitable benchmark program or project, it could collaborate with another organization to set up a joint evaluation

Figure 4-3 Evaluation purposes and corresponding evaluation questions



4.6. Evaluation Design

Level of Effects

Once the purpose of the evaluation has been agreed upon, and an evaluation question has been selected, the appropriate evaluation design needs to be created. This evaluation design consists of identifying the level of effect at which the data needs to be collected, and selecting the most useful evaluation method(s) for measuring the appropriate level of effects.

As Behn (2003) recognized, different evaluation purposes require data from different levels of effects along the social value chain. First, data at the output level of effects can answer the reporting question,

“How much have we produced?”, and the learning question, “Can we produce more cost-effectively?” Second, outcome level data is required to answer the reporting question, “How much have we contributed to the intended beneficiaries?”, and the learning question, “Can we contribute more cost-effectively to the intended beneficiaries?” Lastly, data at the impact level of effects is needed to answer the reporting question, “How much have we contributed to the mission?”, and the learning question, “Can we contribute more cost-effectively to the mission?”

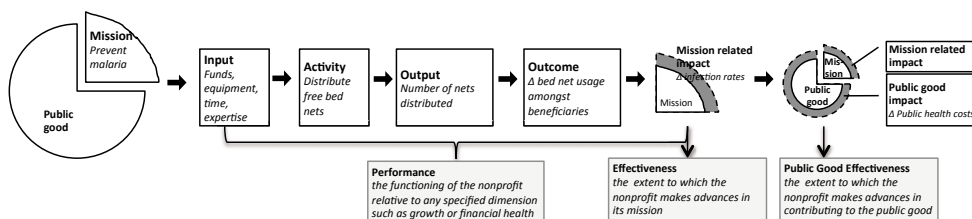
Public Good Effectiveness

From the perspective of a funder or the public, interest may not always lie in answering the question whether the organization has achieved its specific mission. Increasingly, nonprofits' stakeholders have the aim of getting the most public good or social impact for each dollar they have spent (Center for High Impact Philanthropy, 2007). In these circumstances the evaluation question does not relate to the effectiveness of the organization relative to its specific mission, but it is relative to the overall public good. To be able to clearly distinguish this type of effectiveness from organizational effectiveness, it is referred to as *public good effectiveness*.

Consequently, it is practical to distinguish between two subtypes of impact level effects that correspond to organizational and public good effectiveness: mission-related impact and public good impact as shown in Figure 4-4. The relationships between types of effectiveness and these types of impact are illustrated in the extended value chain (Liket and Maas, forthcoming). Mission-related impact refers to impact level effects relative to the specific intent formulated in the mission statement (or for programs and projects, relative to their specific goals). For example, the mission-related impact of a nonprofit with the mission to reduce poverty would consist of the sustained changes that are achieved in reducing poverty. The measurement of impact level effects reflecting the intent formulated in the mission thus provides information on the extent to which the nonprofit advances on this mission (especially when compared over time or against other benchmarks). Data on the mission-related impact level of effects is thus needed to measure organizational (or program or project) effectiveness.

Public good impact is defined as the net effect of all intended, unintended, positive and negative sustained changes as manifest in individuals and organizations, as well as in the environment, and in social systems and institutions (Wood, 2010). Examining effects, both intended and unintended, at the impact level beyond the achievement of the intent formulated in the mission statement provides information on the effectiveness of the organization (or program or project) relative to the overall public good. Evaluation of public good effectiveness is suitable for nonprofits that want to ensure that, in addition to accomplishing their mission, they are creating a net positive impact on society.

Figure 4-4 Extended value chain



As displayed in Figure 4-5, data at the public good impact level of effects is required to answer the reporting question, "How much have we contributed to the public good?" and the learning question, "Can we contribute to the public good more cost-effectively?"

Evaluation Method

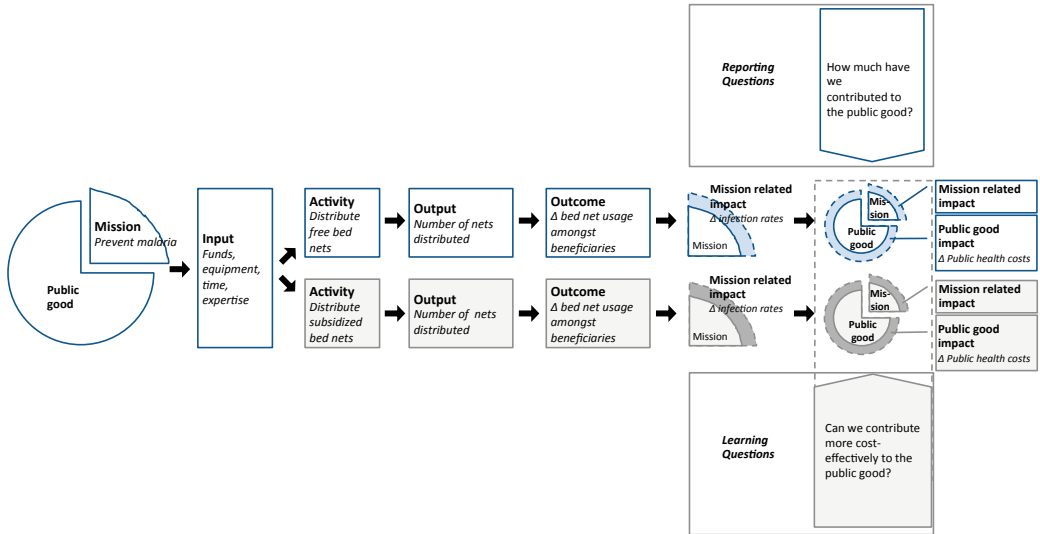
Next to the relevance of identifying the level of effect at which the data needs to be collected, the methods that are selected to perform the evaluation are also part of the evaluation design. In some instances, certain methods are better equipped to measure certain levels of effects. For example, a Social Return On Investment (SROI) analysis provides a framework that is focused on revealing effects at the public good impact level. By comparing these impacts against the costs, the SROI analysis allows for the assessment of the public good effectiveness of activities.

In contrast, experimental methods are a way to design evaluations so as to optimize the ability to determine causality and attribution, but they do not provide guidelines about whether to evaluate at the output, outcome, or impact level of effects (Ravallion, 2001; Duflo, Glennerster and Kremer, 2007; Duflo and Kremer, 2005). Therefore, current claims in the nonprofit sector of the ability of experimental evaluations to demonstrate whether a program or project 'worked' are contingent on the level of effects at which that data are collected. For experimental evaluations to provide meaningful information on the effectiveness of a program or project, impact level data needs to be included. For example, when a nonprofit wants to know whether beneficiaries of an education program have better chances at getting a job, it is useless for an evaluator to design a perfect randomized controlled trial of outcome level data that only shows whether the program has boosted the school grades of its beneficiaries. Instead, impact level effects need to be included that measure whether the beneficiaries of the program are indeed more likely to be employed.

It is also important to consider that the ability to use certain evaluation methods may be contingent on prerequisites and limitations. Experimental methods, for example, require easily identifiable participants and non-participants, limited spillover effects, consistency of the program or project during the evaluation, and consistency of the program or project in order to determine whether it can

be replicated or scaled (Khagram and Thomas, 2010; Ravallion, 2009; Jones, 2009; Jones et al., 2009; Picciotto, 2012). When these prerequisites are not met, other evaluation method will have to be used.

Figure 4-5 Public good effectiveness



Challenges in the Evaluation Design

In designing evaluations, it is important to be aware of the potential problems that can hamper the determination of effects. First, the methodological rigor of the design determines the certainty with which the evaluated effects can be attributed to the project, program or organization (Braverman, 2013; White, 2010). Generally, experimental evaluations, and RCTs specifically, are considered the most methodologically rigorous methods of evaluation. Second, problems with evaluations can be caused by theory failures, which concern the challenges of knowing what to evaluate (as opposed to how to evaluate it). This is determined by the quality of the causal theory that connects the program or project to the (desired) effects (often referred to as logic models or theories of change). It has been argued that many experimental studies on the effects of microfinance have been subject to such theory failures, as they have failed to measure effects that resulted from the theories of change underlying the projects (Copestake, 2007; van Rooyen, Stewart and de Wet, 2012). Third, two types of implementation failures need to be considered (Picciotto, 2012). The first set of implementation failures relates to the extent to which the project or program was implemented according to plan. The second set of implementation failures concerns the validity and consideration of context in the data collection process. These failures can stem from a wide range of factors such as poor data collection, political naivety, lack of independence, inadequate skills and competencies of the evaluators,

ignorance of the context, limited involvement of stakeholders, and concentration on irrelevant issues (Ravallion, 2001; Ravallion, 2009; Jones, 2009; Jones et al., 2009; Picciotto, 2012). For example, surveys or interviews that rely on self-reports of stigmatized behaviors, such as sex or drug use, have often been shown to be highly biased, as compared to validation studies that used improved techniques such as urinalysis or hair analysis (see for example Harrell, 1985).

When designing evaluations it is important to consider the challenges that can originate from these three failures. Many evaluators have argued that the use of greater methodological pluralism is a way to mitigate these problems, and strengthen evaluation designs (Ton, 2012; White, 2010; Chambers et al., 2009; Khagram et al., 2009).

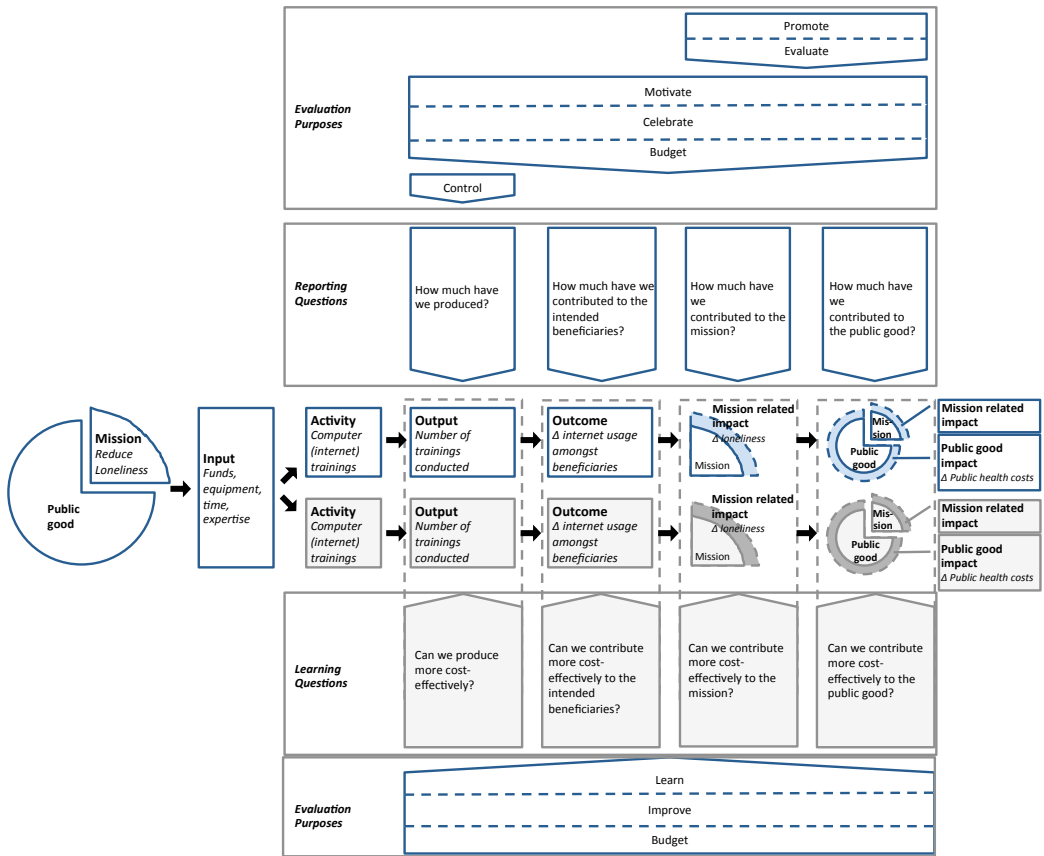
4.7. Case study: The framework in practice

The case example of the implementation of our framework, depicted in Figure 4-6, is taken from an evaluation of a local-level program run by a nonprofit organization. The program was developed in response to the well-documented loneliness experienced by the elderly, especially in urban areas. The framework was implemented as part of a larger evaluation conducted by researchers from a university (two of the authors). The researchers were approached by the funder of the program, a foundation focusing on regional and national problems that relate to interpersonal connections. The funder was the single donor of the program, and had been supporting the program for several years. However, the funder and the nonprofit had been struggling to conduct evaluations of the program through the funder's standard templates. Both parties felt that they had missed the essence of the program in the evaluations, and recently the nonprofit had revealed to the funder that the results of the evaluations had never been used to optimize the performance of the program.

The evaluation team consisted of two researchers, the funder's program manager, and the nonprofit's monitoring and evaluation manager. Collaboratively they sought to address these challenges, and were committed to the use of the framework that the researchers had developed.

The framework proved helpful at several stages throughout the evaluation design process. First, initial discussions were heavily dominated by the participants' opinions on the specific evaluation questions, and their attempts to explain their perspectives on the superiority of their preferred evaluation methods. The visual of the extended value chain (see figure 4-4) helped to illustrate the different elements of the evaluation and the relationships between them, to focus on the evaluation objectives, and to collaboratively create an orderly approach to designing the evaluation.

Figure 4-6 Collaborative evaluation framework



Second, although input, output and outcome level effects had been identified through a previously developed theory of change of the program, the use of the extended value chain in the framework pointed to one of the core causes of the discontent that both parties had felt with the indicators that were measured. Previous evaluations had focused on the outcome level effects that measured the intended changes in the lives of the beneficiaries (active use of the intervention), but no impact level effects had been developed relative to the missions of either the nonprofit (reduction of the loneliness), or the public good (public health costs). It became clear that this originated from confusion about the various level of effects. Each of the parties had understood impact to refer to outcome level effects that would be compared against a baseline that would provide insight into ‘what would have happened anyway’. The use of the framework revealed that the main cause of this confusion originated from the preferences of both parties for specific evaluation approaches. The funder held strong beliefs about the usefulness of the ‘outcome mapping’ approach to evaluations. In contrast, the nonprofit evaluated its

other programs with the Social Return on Investment (SROI) approach. Consequently, the theory of change was developed to additionally capture the effects at the mission-related impact and the public-good impact levels.

Third, the collaborative completion of this extended value chain also revealed another related confusion regarding evaluation objectives. Where the funder had been under the impression that they had pushed to capture the program's effectiveness, their commitment to outcome level effects had left them 'stuck' at capturing the performance of the program. The nonprofit had struggled to explain to the funder that it felt that the program effectiveness wasn't being captured with the evaluations. The framework revealed that the true cause of the confusion lay in the measurement of indicators at the outcome level, instead of the impact level.

Fourth, the framework facilitated a negotiation on the different perspectives of the nonprofit and the funder on the purpose of the evaluation. The nonprofit expressed its desire to use the evaluation results to 'improve' the program, whereas the funder wanted to use them to 'celebrate' the program in order to gain external and internal support. Using the framework, the researchers illustrated that if the evaluation was designed to fulfill the celebration purpose, the results could not be used for the improvement purpose of the nonprofit. In contrast, designing the evaluation for the improvement purpose would also allow the results to be used for the celebration of the program by the funder. As the parties had agreed in the previous meeting that they wanted to capture the effectiveness of the program, their choice for the evaluation question was narrowed down to: "Can we contribute more cost-effectively to the mission?" and "Can we contribute more cost-effectively to the public good?" The distinction between these two questions revealed to the nonprofit that their SROI analyses had caused them to focus on the public good impact level, although their interest laid in determining their effectiveness relative to their mission. Using the framework, both parties agreed that the question that inquired into the ability of the program to contribute to their shared mission more cost-effectively would guide the evaluation.

Lastly, the framework illustrated that the evaluation question pointed to the level of effects at which the data would need to be collected (mission-related impact) with the selected evaluation method. Because the previous discussion had revealed that the SROI approach used by the nonprofit for their other programs centered on the public good impact, and the outcome mapping approach that the funder previously preferred also failed to capture mission-related impact, both parties were open to the selection of a new method. The researchers explained that the selected evaluation question required the collection of data against a benchmark. The funder proposed that this should be the progress the program made over time. The researchers elaborated on the type of information that this would provide to the nonprofit for the improvement of their program. This led the funder and the nonprofit to

wonder whether there would be a way to design the evaluation so that it could determine if there was a better way to run the program. The nonprofit shared their ideas about possible adjustments to the program that might make it more effective. However, the funder was skeptical and feared that changes would reduce the ability to compare the results over time. Consequently, both parties agreed that the evaluation would be designed to show progress over time. Moreover, the results should allow for comparison of the effectiveness of the current program and an improved version of the program. It was agreed that it would be best to create a quasi-experimental design. This design would therefore consist of three groups; thus also including a group of beneficiaries that would function as the comparison group who would receive neither versions of the intervention.

Once the evaluation was completed, the researchers conducted informal semi-structured telephone interviews (on average 30 minutes each) with all the participants of the evaluation team to gauge their perceptions on the usefulness of the framework. Generally, all participants indicated that the framework had been able to provide clarity, mainly through “the creation of a shared language” and “illustration of the interrelationships between the various elements of the evaluation”. Moreover, the nonprofit pointed out that the use of the framework had helped in their power struggles with the funder by creating a “neutral ground” that wasn't linked to specific methodological convictions or preferences. The funder mainly emphasized how the framework enabled a “win-win situation” where the objectives of both parties were realized. Both parties emphasized their intention to use the framework in the future, although the funder was skeptical as to whether this would be possible without the presence of evaluators who were experienced with the use of the framework.

4.8. Discussion and Conclusion

Kanter and Summers (1987) have argued:

“The ideal performance assessment system in a nonprofit organization would acknowledge the existence of multiple constituencies and build measures around all of them. It would acknowledge the gap between grand mission and operative goals and develop objectives for both the short term and the long term. It would guard against falling into any of the traps outlined by developing an explicit but complex array of tests of performance that balance clients and donors, board and professionals, groups of managers, and any of the other constituencies with a stake in the organization” (p.164).

Empirical evidence demonstrates that not much progress in the development of such performance assessment systems has been made to date (Sheehan, 1996; Fine, et al, 2000; Hoefler, 2000; Wiener, et al., 2002; Sawhill and Williamson, 2001; Light, 2004; Carman, 2007; Carman and Fredericks, 2010).

The evidence also indicates that the inability of nonprofits to conduct evaluations that are useful to their strategic decision making largely rests on a lack of participation in the evaluation process. Oftentimes nonprofits conduct evaluations out of accountability requirements to funders or the public. These stakeholders often hold normative assumptions about the level of effects at which these evaluations should be conducted or the evaluation method that should be used. Moreover, in the instances that there is a participatory engagement where the nonprofit negotiates with its stakeholders on the purpose and design of the evaluation, a lack of solid conceptualizations of the objectives that nonprofits and their stakeholders want to evaluate greatly complicate this process.

In this context, the three core contributions of this paper are: a) the analysis of the pressures and confusions nonprofit organizations and their stakeholders face, b) the clarification of the objectives of these evaluations, and c) the proposal for a framework that tackles those interrelated obstacles, and that facilitates the collaboration between the nonprofit and its stakeholders for designing and conducting meaningful evaluations. First, we provide clarity on the objectives of evaluations. Second, we link these evaluation objectives to the eight evaluations purposes identified by Behn (2003). These purposes can be fulfilled in a variety of ways, which is narrowed down with the selection of one of the eight evaluation questions. Third, on the basis of this selected evaluation question the evaluation design is determined. Here, the level of effects at which the data is collected flows from the selected evaluation question. Moreover, on the basis of the required level of effects at which the data need to be collected, the evaluation method is selected accounting for the inherent trade-offs that need to be made in this selection process.

Our framework helps professional evaluators and others who are responsible for leading or conducting evaluations in nonprofits to explain to stakeholders that evaluations can fulfill various purposes, and that these purposes must be negotiated with them in order to insure that more meaningful information will be produced by evaluations. Because the framework creates a common means to communicate on the various interrelated choices that need to be made in creating a useful evaluation, it helps nonprofits to tie the request by stakeholders to evaluate specific types of effects, such as impact level effects, to these evaluation purposes. Our framework contributes to the increasingly strong call from scholars not simply to advocate for more evaluation of performance and impact, but instead to focus on aiding organizations to select or use existing evaluation approaches that actually contribute to the utilization of performance and impact information in strategic decision making (Thomson, 2010; Ebrahim and Rangan, 2010; Khagram and Thomas, 2010).

In the face of a heated debate about whether experimental approaches should be the gold standard for evaluations, we point to the fundamental misunderstanding that underlies this debate, which comes

from the assumption that the quality of evaluations can be judged solely on the basis of their design. Any evaluation effort should start with a definition of its purpose, and, we argue, this is the basis for identifying the evaluation question, determining the level at which the effects should be measured and the selection of the evaluation design. Moreover, we encourage nonprofits to embrace a multidimensional perspective on the challenges of evaluation design, which extends beyond methodological rigor to also include aspects of theory and implementation (White, 2010; Stame, 2010; Fels Smith and Schorr, 2009).

Finally, our findings are likely to be relevant for other content fields, including the public sector (Trevisan, 2007; Saari and Kallio, 2011; Howell and Yemane, 2006) and corporations practicing philanthropy, as well as those running other corporate social responsibility initiatives (Wood, 2010; Salazar, Husted and Biehl, 2012).

The open architecture outlined in this paper and illustrated through a representative case study must be further developed and refined through a broader set of case studies. These cases should test the proposal under the choice of different evaluation purposes, questions, levels of effects and methods, representative of the extraordinary diversity of the nonprofit field.

Chapter 5

Nonprofit Organizational Effectiveness: Analysis of Best Practices¹⁴

Abstract

In the face of increased accountability pressures nonprofits are searching for ways to demonstrate their effectiveness. Because meaningful tools to evaluate effectiveness are largely absent, financial ratios are still the main indicators used to approximate it. However, there is an extensive body of literature on determinants of nonprofit effectiveness. In this study we test the extent to which these assertions in the literature align with practitioner views. To increase the practical value of our comparative exercise, we create a self-assessment survey on the basis of the practices that find support in both academia and practice. This provides managers with a tool to assess the extent to which the identified practices are present in their organizations and with suggestions, which might lead to improvements in their effectiveness. Intermediaries can use the tool to provide better information to donors. Funders can use it in their selection of grantees, and capacity building efforts.

¹⁴ This chapter is based upon:

Liket, K.C. and Maas, K.E.H. (forthcoming). Nonprofit Organizational Effectiveness: Analysis of Best Practices. *Nonprofit and Voluntary Sector Quarterly* (Published online first on 16 November 2013)

“In the land of the blind, the one-eyed man is king”

5.1. Introduction

Nonprofit organizations (NPOs) are increasingly pressured to demonstrate their effectiveness (Carman, 2010; Ebrahim and Rangan, 2010; Saxton and Guo, 2011). Rating agencies such as American watchdogs GuideStar and Charity Navigator have picked up on this need, but their models still rely heavily on financial ratios rather than indicators of effectiveness (Bhattacharya and Tinkelman, 2009; Gordon et al., 2009; Stork, 2007; Tinkelman and Donabedian, 2007). Moreover, multiple academic efforts have tried to define (e.g. Buckmaster, 1999; Herman and Renz, 1999), measure (e.g. Kaplan, 2001; Sowa et al., 2004) and identify practices that enhance NPO effectiveness (e.g. Callen et al., 2003; Smith and Shen, 1996). However, these studies also often rely on financial measures to the prime indicators of NPO effectiveness (e.g. Brown, 2005; Provan, 1980).

There are a few exceptions in which conceptualizations of effectiveness are based upon reputation (e.g. Chait et al, 1991; Herman and Renz, 1997; 2000), outcomes or impact (e.g. Edwards, 1999; Eisinger, 2002), or multi-dimensional models (e.g. Cameron, 1982; Kushner and Poole, 1996). As Tinkelman and Donabedian (2007) have argued, the relative emphasis on financial measures over other measures of effectiveness is probably because of the complexity of conceptualizing and measuring organizational effectiveness (OE), in particular that of NPOs, in a way that allows for meaningful comparison between organizations (Kanter and Summers, 1987; Letts et al., 1999; Mitchell, 2013; Sawhill and Williamson, 2001; Speckbacher, 2003).

Despite these difficulties in researching OE, increased demands for transparency and accountability of NPOs make the topic a pressing concern for both nonprofit scholars and practitioners (Carman, 2010; Ebrahim and Rangan, 2010; Lecy, et al., 2011; Ebrahim, 2010). Several authors have warned of the detrimental effects that the current one-sided information supply can have on the NPO marketplace (Goggins Gregory and Howard, 2009; Lowell et al., 2005; Tinkelman and Donabedian, 2007). They call for models based on practices that relate more closely to nonprofit effectiveness (Tinkelman and Donabedian, 2007). This study provides an additional contribution to formulating a set of alternative indicators of effectiveness.

Multiple studies have looked at past literature on OE to further our understanding of the topic. However, most of these studies have focused either on conceptualizing and operationalizing the concept of OE itself (e.g. Beamon and Balcik, 2008; Kaplan, 2001; Sowa, et al., 2004), or have focused on one specific determinant of OE such as board effectiveness (e.g. Herman and Renz, 1997;

1999; 2000). To the best of our knowledge, only the literature reviews performed by Forbes (1998) and Lecy, et al. (2011) have provided comprehensive overviews of the body of knowledge on OE. Where Forbes (1998) included both research on effectiveness determinants and conceptualizations of OE, the review by Lecy, et al. (2011) focused only on the latter. There is a lively body of research on specific subsets of determinants of NPO effectiveness, such as strategic management (Herman and Renz, 1997; Siciliano, 1997) and board performance (Brown, 2005; Provan, 1980; Smith and Shen, 1996). However, there is no recent comprehensive overview of the academic literature on determinants of OE.

In this study we conduct a literature review of putative nonprofit OE determinants. As Bushouse and Sowa (2012) have argued, it is also our duty as nonprofit scholars to make sure our research is relevant for practice. Therefore, we test the extent to which the list of effectiveness enhancing practices based on the assertions of academic researchers resonates with the views of a group of practitioners from Dutch NPOs. It is important to note that we do not intend to offer a substitute for the challenging and important work on the evaluation of program effectiveness with the set of practices identified in this study. Our process approach to effectiveness discusses practices that many (though not all) academics and practitioners believe contribute to effectiveness in NPOs. Rigorous research that measures the actual impact of these practices on short- and long-term organizational effectiveness is still needed.

Still, the potential contributions of this study are numerous. First and foremost the literature review offers academics and practitioners an overview of the proposed determinants of OE in the nonprofit literature. For researchers the study reveals the extent to which practitioner views parallel their findings and assertions. To increase the practical value of our comparative exercise, we created a self-assessment survey on the basis of the practices that find support in both academia and practice. This provides managers with a tool to assess the extent to which the identified practices are present in their organizations, and gives them suggestions on how they might change them to improve their effectiveness. Intermediaries, such as consultants, can use the tool to provide better information to donors. Funders might use it as an aid to decision making in their selection of grantees, and to support their capacity building efforts for grantees.

Last, we demonstrate that, despite the difficulties in defining and measuring comparative effectiveness of nonprofits there is practical value in the rich literature on organizational practices that may contribute to OE. Thus, this study is a first step in providing a counterweight to the emphasis on financial measures that are currently the dominant source of information for allocation decisions in the

making for philanthropic donations (Goggins Gregory and Howard, 2009; Gordon, et al., 2009; Grossman, 1999; Tinkelman and Donabedian, 2007; Wing and Hager, 2004a; Lecy and Searing, 2012).

5.2. Theoretical Background

The Elusive Concept of Organizational Effectiveness

For over a decade, complaints about the inefficiency and ineffectiveness of NPOs have been increasing (Carman, 2010; Ebrahim and Rangan, 2010; Edwards and Hulme, 1996; Murray, 2005). A decrease in public trust in NPOs has resulted in a demand for greater transparency about, and accountability for, the difference NPOs make to society (Ebrahim, 2003; Edwards and Hulme, 1996; Rey Garcia, 2008; Ebrahim, 2010). As a result there is an urge to develop theories and tools that enable NPOs to demonstrate their organizational effectiveness (OE) (Alexander et al., 2010; Anheier, 1994; Carman, 2010; Mitchell, 2013; Yates, 2004; Murray, 2010). The academic literature on NPO effectiveness offers a variety of OE models (Mitchell, 2013). In his review of this literature, Forbes (1998) found that, despite the diversity in the ways effectiveness has been studied, most draw on one or a combination of three major models: a) goal attainment model (Bernard, 1938; Price, 1972), b) systems resource model (Georgopolous and Tannenbaum, 1957; Yuchtman and Seashore, 1967) or c) reputational model (Jobson and Schneck, 1982; Herman and Renz, 1997). In reviewing these models, Herman and Renz (1997; 1999) have argued that most of the actual research has focused solely on the first model of OE, the goal attainment model.

The goal attainment model defines OE as the achievement of self-selected goals. This definition of OE results in a number of problems when operationalizing the concept, including subjectivity (Mohr, 1982), incomparability between organizations (Etzioni, 1964; Forbes, 1998; Lecy, et al., 2011; Mohr, 1982) and a lack of concretization and subsequent possibilities for evaluation (Fowler, 1996; Herman and Renz, 1999; Stone and Crutcher-Gershenfield, 2001; Mohr, 1982; Murray and Tassie, 1994).

In response to these limitations, models were developed that provided what were claimed to be proxies for OE. For example, the systems resource model uses organizational survival or growth as a proxy for OE, and the reputational model relies on the various perceptions relevant stakeholders have of an organizations' effectiveness (Forbes, 1998; Herman and Renz, 1999; 2004; 2008; Lecy, et al., 2011). The reputational model is based on the post-modern belief that there can be no objective definition of a concept, as its true definition lies in the perception of individuals, regardless of how diverse they may be (Herman and Renz, 1999; Packard, 2010; Shilbury and Moore, 2006; Tassie et al., 1998). Mitchell (2013), for example, offers a model of OE that is based on the perceptions of leaders

of international NPOs. In his study, most leaders defined the effectiveness of their NPO as “outcome accountability” or, to a lesser extent, “overhead minimization” (Mitchell, 2013: 9, 12).

Lastly, both Herman and Renz (2008) and Lecy, et al. (2011) have argued that there is great value in multi-dimensional models such as Quinn and Rohrbaugh’s (1983) competing values model, Kaplan’s (2001) balanced scorecard and Ebrahim and Rangan’s (2010) contingency model. However, according to Lecy, et al. these models do not provide a novel perspective of OE but simply “incorporate aspects of the goal, system resource and reputational approaches” (Lecy et al., 2011: 7).

Accountable for Effectiveness But Rated by Financial Ratios

Despite the many conceptual and theoretical models of OE, “the practical challenge of measuring organizational effectiveness persists” (Mitchell, 2013: 3). A manifestation of the desire for comparative measures of OE in the non-profit sector is the growing number of self-appointed watchdogs that have emerged in the past decade. Though they initially focused primarily on financial data, some have recently started to search for measures that relate to other indicators of OE (Lowell, et al., 2005; Mitchell, 2013). Some of the most promising efforts include Givewell’s provision of extensive analyses of charities’ program evaluations (www.givewell.org); Charting Impact’s five questions that push NPOs to reflect on their goals and achieved impact (www.chartingimpact.org), and Philanthropedia’s crowdsourcing of expert opinions of NPOs, their impact, organizational strengths and areas of improvement (www.myphilanthropedia.org).

Despite the ability of these initiatives to steer away from a singular focus on financial measures, there are limitations to their individual ability to provide sufficient counterbalance against the existing tools. These limitations include the descriptive nature of the information, which complicates comparisons; a focus on programme effectiveness instead of organization-wide effectiveness; the labour-intensity required to generate their measure, and the subjective aspects of expert opinion such as being overly impressed by the personalities of certain leaders (Hoyt, 2000; Deluga, 2001; De Hoogh, Den Hartog, Koopman, 2005).

These limitations clearly illustrate the advantages financial measures have in terms of their scalability, collectability, level of objectivity and comparability across organizations. The ratios that are calculated from financial data are quantitative and operational criteria are more readily available and easily comparable than more qualitative and normative approaches (Rey Garcia, 2008).

Turning from the problems of defining and measuring OE, academic research in the for-profit (e.g. Flood, 1994; Quinn and Rohrbaugh, 1983), nonprofit (e.g. Baruch and Ramalho, 2006; Carman, 2010), and public sectors (e.g. Rainey and Steinbauer, 1999; Wolf, 1993) has attempted to identify

relevant organizational and managerial strategies that will impact OE. An early example is the empirical study by Cameron (1986), who found that the presence of certain managerial strategies had a strong positive relationship with certain static and longitudinal indicators of OE. Moreover, these strategies were found to be more important than the organizations' structures, the demographics of its members and certain indicators of its finances (Cameron, 1986). Forbes (1998) found that similar studies on determinants of OE have mostly focused on specific topics such as boards.

In table 5-1, an overview of both empirical and conceptual studies of determinants of OE illustrates the frequency of a narrow focus on one specific indicator of OE (e.g. board performance). Roughly three types of OE indicators can be identified: 1) financial standards, often based on financial ratios such as overhead ratio or fundraising ratio, 2) perceived effectiveness, such as reputation or program-based outcome/impact measures, and 3) multi-dimensional indicators. The overview also illustrates the number of studies claiming to research determinants of OE that mainly look only at financial indicators. This underscores the relevance of the warning that a lack of shared definitions and agreed upon ways of operationalizing OE threatens progress "in our collective understanding" of the concept (Lecy, et al. 2011: 5).

Table 5-1 Empirical and conceptual indicators of OE

	Financial Standards		Effectiveness		Multi-dimensional
	Financial Ratios	Productivity	Perceptions/ Reputational	Outcome/ Impact	
Board Practices	Chait, Holland and Taylor, 1991; Smith and Shen, 1996*; Provan, 1980*; Cellen, Klein and Tinkelman, 2003; Brown, 2005		Miller, Weis and MacLeod, 1998*; Green and Griesinger, 1996*; Smith and Shen, 1996*; Herman * Renz, 1997*; Holland and Jackson, 1998; Herman and Renz, 2000; Brown, 2005	Green and Griesinger, 1996*	Herman and Renz, 1999; Herman and Renz, 2004
Management Practices	Siciliano, 1997*		Crittenden, Crittenden and Hunt, 1988*; Herman and Renz, 1997*; Siciliano, 1997*	Eisinger, 2002	Ostroff and Schmidt, 1993*; Herman and Renz, 1999; Herman and Renz, 2004
Other Practices		Glisson and Martin, 1980* (IV: centralization and formalization)		Schumacher, 1980* (IV: unconventional advocacy techniques); Byington, Martin, DiNitto and Maxwell, 1991* (IV: organizational affiliation); Edwards, 1999* (IV: networks and partnerships); Loevinsohn and Harding, 2005 (IV: contracting)	Cameron, 1982* (IV: faculty unionism); Kushner and Poole, 1996 (IV: members commitment to organizational culture); Ostroff and Schmidt, 1993* (IV: participatory decision making and organizational climate)

*Reviewed in Forbes, 1998

IV: Independent Variable in the study

5.3. Method

The purpose of this study is to identify management practices that have been hypothesized as influencing NPO effectiveness from the rich base of the literature on this topic and test the extent to which practicing managers agree or disagree with them. Figure 5-1 above, shows the results of the first phase of this research. Due to the complexity in defining appropriate search terms to guide a systematic literature review of hypothesized OE determinants, a ‘snowball’ technique was used (Greenhalgh and Peacock, 2005). The articles identified by this method were from either peer-reviewed journals with an ISI/Social Science Citation Index listing or chapters in books specifically focusing on NPOs as indicated by the word nonprofit in the title. The starting points for the

snowballing were two widely used handbooks on research in NPOs: ‘The Nonprofit Sector: A Research Handbook’, the second edition published in 2006, and ‘The Jossey-Bass Handbook of Nonprofit Management and Leadership’, published in 2010.

For the second phase, a focus group was set up comprised of twenty actors from the Dutch nonprofit sector. It included consultants, managers, CEOs, in-house evaluators and academic researchers. They were brought together because of the diversity of their perspectives relative to those of the authors. They also were a representation of the actors noted in the Dutch NPO ‘Knowledge Bank of Philanthropy’ (kennisbankfinantropie.nl), which functions as the central online database of the Dutch nonprofit sector.

This group was asked to draw up as many management practices as they could that they believed to contribute to effectiveness in NPOs. In other words, they were asked to think of so-called “best practices” which, when adhered to by NPOs, increased the chance that the NPO would be effective. It is important to note that the group was unaware of the results of the literature review and thus started with a *tabula rasa*.

The literature review resulted in a total of 52 management practices that were hypothesized to have an impact on NPO effectiveness or that were found empirically to be correlated with certain measures of OE (see table 5-3 in the appendix for an overview of these variables). It is important to note that widely used measures about which there is no consensus with regard to their relation to effectiveness, such as *overhead ratios*, were not included (Wing and Hager, 2004b). Acting independently, the focus group, consisting predominantly of practitioners, drew up a list of 36 unique determinants that they believed would enhance OE (see table 5-3 in the appendix for an overview of these practices). Interestingly, with the exception of two of them, (*size of the marketing budget* and *employee turnover*) all of the practices identified by the focus group were part of the list of effectiveness enhancing practices from the literature review (although sometimes slightly differently formulated). When the two lists were merged a set of 34 practices were identified that found support both in the literature and practitioner group (see figure 5-1 for a graphic presentation of this elimination process).

On the basis of the commonalities between the two lists, a survey was designed to measure the extent to which NPOs have these practices in place.

In some cases, it was felt that certain conditions were too subjective to identify reliably and hence should not be included in the final survey. Examples of these are the perceived presence of *charismatic leadership*, *willingness to change*, *ambition*, and *employee motivation*. It was decided that to be included an organizational process or practice had to be one that is objectively verifiable.

To check whether the questionnaire items would be understood correctly, and whether, when asked, NPOs would answer them reliably, an additional questionnaire item (control question) was added, when possible, for each practice. In most cases this required NPOs to give an example, or to answer the same question formulated in a different way. A preliminary online questionnaire with the remaining items was then compiled based on guidelines in 'Mail and Internet Surveys' by Dillman (2000).

In the fourth step, this online questionnaire was tested. First, the expert group was invited to review each item as to whether it should be included, and suggest a new item if necessary. Next, to test the perceived level of difficulty of the items, and the time and effort required to complete the questionnaire, one representative of four NPOs of different organizational sizes, activity types, levels of professionalism, and ages since founding, were asked to complete the online questionnaire following the 'three step test interview' (TSTI) process which requires respondents to think out loud while filling in a survey and give suggestions for improvements (Hak et al., 2008).

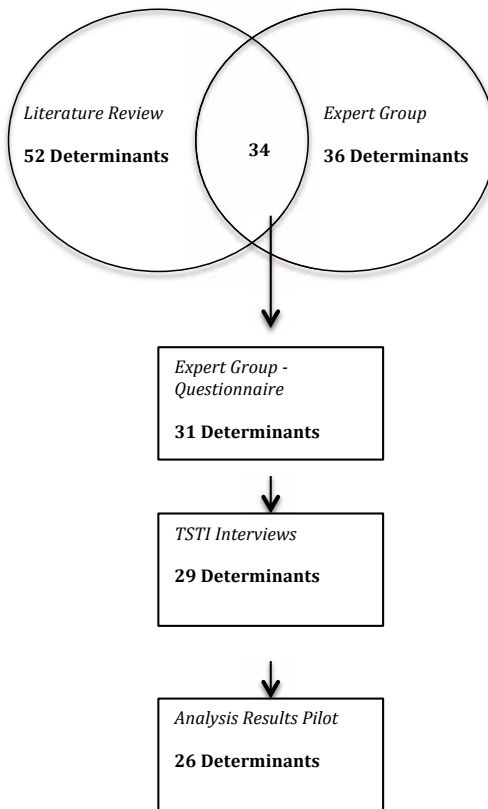
The final questionnaire was then uploaded to the online database of the 'Knowledge-Bank Philanthropy' (kennisbankfilantropie.nl), which manages the data-profiles of NPOs in the Netherlands. This database currently contains over 5000 Dutch NPOs, which is close to the estimated total number of active NPOs in the Netherlands. A pilot study was then conducted involving all NPOs that have a focus on improving health (N=554).

This pilot study served five purposes. First, through its response rate it showed both the willingness and ability of NPOs to provide answers to the survey questions. Second, it revealed the extent to which NPOs provided reliable responses to the survey. Third, the data allowed for an analysis of whether some practices were clearly understood. Fourth, it was also possible to ascertain whether some practices were more or less likely to appear in organizations of a specific size or activity type (e.g., research). Fifth, to control for the presence of a non-response bias, an archival analysis was carried out in which respondents and non-respondents were compared on the basis of a number of organizational characteristics as suggested by Armstrong and Overton (1977).

5.4. Results

83 of the 554 health-focused organizations fully completed the 29-item questionnaire with the matching control questions, resulting in a response rate of 15% (see table 5-5 in the appendix for the questionnaire used in the pilot study). The pilot study results indicated that NPOs self-reports were unreliable in only 5% of the cases. This was determined by analysing whether the NPOs that reported that they engaged in a practice could subsequently provide an example of this or could consistently give the same answer on the matching control item. The results from the pilot pointed to three

management practices that provided to be unclear. First, the questionnaire item that asked about the presence of a logic model was often misunderstood. Second only 5% of the NPOs that claimed to measure outcomes could provide a satisfactory example of such a measure. Third, it was found that the item that asked about the use of *external evaluations* was predominantly reported by only large NPOs. Therefore, these three variables were deleted from the list. Regarding the presence or absence of practices in different types of organizations, no substantial biases towards larger or smaller NPOs were detected. Nor were there any significant biases towards NPOs focused on specific types of activity (e.g. research) or on a specific target group (e.g. the poor). Investigating the non-response bias, no structural differences were found when using an archival analysis between the respondents and non-respondents on the basis of the available information of their organizational characteristics.

Figure 5-1 Multi step method selection of determinants

As a result of this analysis of the pilot study results, a final questionnaire was constructed consisting of 26 items that are presented in table 5-2 below. To facilitate easier interpretation, the items are clustered into nine themes, which are grouped into three pillars that relate to transparency, program or organizational characteristics (Sowa, et al., 2004). The following section discusses the potential value of these themes in contributing to organizational effectiveness (even though definitive evidence showing causal connections remains to be found for the reasons already discussed).

Table 5-2 Final set of determinants of nonprofit OE

Pillars	Themes	Criteria
Transparency	Reporting	Availability of a strategic plan
		Availability of an annual report
		Content of annual report (1.results in relation to goals; 2.financial report; 3. Next year's budget)
	Accessibility	Accessible via various channels (1.postal mail; 2.phone; 3.email)
		Systemic procedures for dealing with questions, feedback and critiques
		Website includes contact information and reporting
	Online publication	Online publication of strategic plan
		Online publication of annual report
		Online publication of board members' identities
Organization	Focus	Detailed mission statement (1.primary target group of beneficiaries; 2. Envisioned social change; 3.main activities)
		Linkage/Logic between mission statement and (main) activities
		Long term strategic plan (min.3 years)
		SMART goals in strategic plan
	Strategy	Research/ Strategic consideration of context-analysis of other organizations with similar mission statement
		Research/ Strategic consideration of alternative activities to advance mission
		Cooperation with other organizations
		Research/ Strategic consideration of (results from) risk analysis
		Participative formulation of organizational strategy
	Board	Clear separation between board and executives
		Independence of board
	Program	Design
Participative* design of activities (design)		
Ownership		Participative* design of activities (ownership)***
		Participative* monitoring of activities
Evaluation		Participative* evaluation of activities
		Evaluation including negative and positive (un)intended effects on other people and the environment

*refer to beneficiaries where possible or otherwise other relevant constituents or experts (please refer to the set requirements depicted in appendix table 5-5 that specifies the required group type to be involved depending on type of interventions)

** does not limit to a specific type of evaluation

*** same criteria as in 'design' but now with the function to create ownership

5.4.1. Transparency

Transparency is often argued to be one of the most important processes by which NPOs render themselves accountable to their stakeholders (Bothwell, 2001; Edwards and Hulme, 1996). Transparency is the first step in creating the ability for stakeholders, such as donors, clients and others to hold an NPO accountable (Bejar and Oakly, 1996; Cheng, 2009; Edwards and Hulme, 1996). Transparency not only enables stakeholders to keep NPOs accountable relative to the needs of

beneficiaries, it also provides them with indicators of the extent to which the organization is fulfilling its fiduciary and legal duties (Sloan, 2009).

Reporting

Reporting is a key first step for NPOs in creating openness about their past, current and future actions. The selected management practices in our questionnaire measure the extent to which an NPO reports on the presence of such things as a strategic plan. Another variable asks about the presence of an annual report which, at a minimum, includes: a) reporting on the extent to which planned targets are achieved, thus supporting the NPO and its stakeholders in examining its strategy in a critical way (Coppes and Vernon, 2010; Edwards and Hulme, 1996); b) financial reporting, in order to develop the trust of not only the public but also of staff and donors past, present and future (Axelrod, 1994; Dalsimer, 1991); c) a budget for the coming financial year, by which the lessons learned from the achievements of targets are illustrated in the future strategy (Edwards and Hulme, 1996; Kaplan, 2001; Sheehan, 1996). Without insight into the extent to which targets are achieved, there is “no way to distinguish whether their strategy was succeeding or failing” (Kaplan, 2001: 356). Without this kind of reporting, accountability between the NPO and its various stakeholders is heavily inhibited.

Documents such as these allow the organization to be open with various stakeholders, hence upholding upward accountability to donors, horizontal accountability to other NPOs, and downward accountability to beneficiaries (Ebrahim, 2003; Edwards and Hulme, 1996; Sowa, et al., 2004; Ebrahim, 2010).

Accessibility

For an organisation to be transparent it must report information but also must be accessible for questions and complaints. The accessibility practices measure the extent to which NPOs are reachable by their stakeholders through such means as mail, email and telephone. It also asks if the organization has systems in place for receiving, dealing with and learning from feedback (Ebrahim, 2003; Edwards and Hulme, 1996; Saxton and Guo, 2009). Lastly, there must be a website, as nowadays the Internet is a key tool allowing NPOs to operate in a transparent manner (Saxton and Guo, 2009; Gandia, 2011).

Online Publication

The Internet provides a simple, and often low-cost, way for NPOs to publish information and for stakeholders to obtain it (Gandia, 2011; Saxton and Guo, 2009). Considering the contemporary importance of the Internet, practices that include the online publication of the strategic plan, annual report and the identity of all board members are usually desirable. This practice was strongly endorsed

by the panel of NPOs and nonprofit experts, possibly because of concerns relating to the abuse of the legal benefits and responsibilities of certain NPOs in the Netherlands.

5.4.2. Organizational Characteristics

Focus

Best practices dealing with organizational focus address whether an organization operates with the aim of advancing its mission in a clear and focused manner. First, the normative literature suggests that there be a mission statement which is specific and containing a) a specified target group which the organization is created to serve (which in some cases will be society at large), b) a statement of the organization's purpose and c) if relevant, a geographic focus. The presence of a specific mission statement such as this allows for clarity in internal direction as well as clear positioning in the landscape of other organizations with a similar social goal (Coppes and Vernon, 2010; Kaplan, 2001; Minkoff and Powell, 2006; Oster, 1995). As Kaplan puts it, "attempting to be everything for everyone virtually guarantees organizational ineffectiveness" (2001; 359). In other words, the mission statement articulates the NPOs' "reason for being" (Kaplan, 2001; LeRoux, 2009; Oster, 1995; Sowa, et al, 2004; 717). Thereby, it creates so-called 'mission motivation', which Rainey and Steinbauer (1999) have argued to enhance OE.

The next practice asks to what extent there is a clear linkage between the mission statement and the main activities of the NPO (Coppes and Vernon, 2010; Murray, 2010). As Kaplan (2001) observes, an NPO performing activities that are directly deduced from a clear and specific mission statement has higher chances of attaining the impact and goals it envisions. Research has shown that longer term planning has been a major weakness of many NPOs. It suggests that the absence of a long-term vision puts them at risk of failing to correctly prioritize their activities and a lack of strategic focus, although in the face of a rapidly changing context, this long term vision should be counterbalanced by a continuous review of these plans and a willingness to adapt them as needed (Anheier 1994; Sheehan, 1996; Bryson, 2010; Allison and Kaye, 2003). Therefore a third practice related to focus asks about the presence of a continuously reviewed strategic plan spanning at least three years, should reflect the focus of an NPO on the state of its external environment. With such a plan in place, internal stakeholders are provided with both direction and guidance in their quest to effectively advance the organization's mission (Sowa, et al., 2004; Coppes and Vernon, 2010). Moreover, a strategic plan enables consistent communication of the *raison d'être* of the NPO to external stakeholders such as donors (Kaplan, 2001).

In addition, the way the goals are set out in the strategic plan is considered to be an important influence on effectiveness (Coppes and Vernon, 2010; Kaplan, 2001; Sowa, et al., 2004). As Kaplan

puts it: “By quantifying and measuring the strategy, organizations reduce and even eliminate ambiguity and confusion about objectives and methods” (2001: 360). As a consequence of the consultations with the NPOs and experts in this research, the presence of SMART goals (defined as Specific, Measurable, Attainable, Relevant and Time-bound) was selected as the most practical measure of an effective strategic plan.

Strategy

Practices, practices that relate to how the strategic plan is formulated are also important. The first normative practice states that NPOs need to conduct a context analysis, whereby the presence of threats and opportunities in the environment and the practices of similar NPOs and other organizations are explored. This reveals where the organization needs to focus and prevents organizations from working against one another, and ensures that opportunities for cooperation are fully explored (Herman and Heimovics, 1994).

Moreover, NPOs need to remain inquisitive about activities by others that could assist in fulfilling its desired goals. This facilitates a focus on the most effective way to advance the mission (Kaplan, 2001; Sowa, et al., 2004). Numerous research findings suggest that NPO’s that focus mainly on their activities (such as building schools), in place of the needs of those they seek to serve (such as for education), risk paying too much attention to the make-up of their activities rather than the desired outcomes they want to achieve (Kaplan, 2001; Sheehan, 1996; Sowa, et al., 2004).

The normative literature suggests also that it is desirable to carry out risk analyses in the organizations’ environment in order to investigate the extent to which a strategy could be affected by unforeseen future events (Carman, 2010; Copps and Vernon, 2010; Weiss, 1995). For example, an NPO investing heavily in building a school will be more likely to achieve sustainable success if it has checked that there are no/minimal risks that the school will be empty due to lack of secured funding for teacher’s salaries. Moreover, when possible, the primary target group of beneficiaries and other relevant constituents need to be involved in the development and adaptation of the organizational strategy (Copps and Vernon, 2010; Hoole and Patterson, 2008; Tandon, 1996).

The Board

The board is the body that has legal responsibility for ensuring that the organization’s mission is fulfilled (Axelrod, 1994; Tandon, 1996; Ostrower and Stone, 2006). The normative literature on boards recommends that there usually be a clear separation between the duties and responsibilities of the board and the executive body. The former should be responsible for focusing on the long-term vision of the organization and ensuring that the organization achieves its mission. Such a focus is

found to strongly relate to OE (O’Connell, 1985; Chait, 1993; Holland and Jackson, 1998). If the board “meddles” by engaging in micromanagement of the executives, there is a risk that less attention will be paid to the long-term focus (Axelrod, 1994; Chait, 1993). However in practice, especially in smaller NPOs, this strict separation might be difficult to realize as the boards often function as ‘working boards’.

This ability to focus on the long-term vision of the NPO is possible only when another criterion is fulfilled, namely independence of the board (Bell, 1993; Tandon, 1996; Ostrower and Stone, 2006). In consultation with the sector, the criteria of board independence is defined as a situation in which all of the board members remain uncompensated (Ingram, 1989), are trusted by other stakeholders (Axelrod, 1994) and are authorized to voice their ideas and concerns (Silk, 1994).

5.4.3. Programs

Design

Best practice suggests that, when making decisions about programs, it is important to base them on empirical evidence including input from all relevant stakeholders (Copps and Vernon, 2010).

Ownership

Consulting those who will be affected by programs (see table 5-6 in the appendix) is generally believed to be crucial in the program design phase, but this also facilitates a sense of ownership by these stakeholders (Copps and Vernon, 2010; Gibbs et al., 1999). Ownership refers to the control of both the design and implementation of programs. This practice is based on the common sense wisdom that programs are likely to be more effective when those who have to live with them have a voice in decisions about them (Donais, 2009; Wandersman, et al., 2005).

Evaluation

With the respect to the evaluation of programs, best practice suggests that, again, whenever possible, beneficiaries and other relevant constituents should be included in the design, implementation and interpretation of the evaluation process. However, here the hypothesized link with effectiveness is not only via increased ownership, but also through the possibility of obtaining increased accuracy of the information collected. Naturally, collecting this information is only valuable for effectiveness when there are structural feedback loops between the findings of the evaluations and the organization's future strategy (Ebrahim and Rangan, 2010; White, 2010). The presence of these feedback mechanisms is thus another important practice.

Finally, research in program evaluation suggests that NPOs need to go beyond examining the *intended* positive impacts of programs. It is also important that they be alert to the potential presence of *unintended* impacts (Wainwright, 2002).

5.5. Discussion and Conclusion

In response to the increased pressures on NPOs to demonstrate their organizational effectiveness, and the heavy reliance on financial standards and ratios to approximate it, we have explored an alternative approach based on measuring the extent to which the organization has adopted certain management practices that researchers and expert believe to affect OE.

The extensive literature review conducted for this study provides a more or less up-to-date overview of the management best practices that have been proposed by normative writers and some (academic) researchers. What was interesting and important was the findings that a select panel of practitioners, when asked to provide their own list of effectiveness-enhancing practices, produced one that is widely comparable with that of management scholars. This could either be because the 'real life' experiences of practitioners leads them to similar conclusions as those reached by the normative writers on management or it might reflect the pervasive influence of management fads that are absorbed as a result of mimetic tendencies among organizations (Abrahamson, 1996; Miller, Hartwick, Le Breton-Miller, 2004).

In contrast to the one-dimensional focus of much of the research on effectiveness, the practices discussed here provide a multi-dimensional conceptual model of potential influences on OE, that concern both the program and organizational levels (Herman and Renz, 1999; Sawhill and Williamson, 2001; Sowa et al., 2004). The overview of potentially effectiveness enhancing practices provided in the second part of this study was intended to stimulate NPOs to consider their value for their own situation.

It is hoped that the practical relevance of this study is enhanced by the development of an instrument that allows for the measurement of the extent to which NPOs have adopted the best management practices covered.

It is very important to note, however, that there are several limitations to measuring the use of best practices to judge organizational effectiveness. First and foremost, the measurement of these practices should not replace the use of other, more traditional forms of evaluations. Secondly, sets of best practices such as the one developed here are, like other management and quality systems, vulnerable to a checklist or manage-to-the-measure-mentality, wherein leaders of organizations become obsessed with fulfilling the requirements, resulting in a disengagement from the overall organizational mission. This risk might be partially mitigated by the direct focus of many of the recommended practices on the organization's mission and its beneficiaries.

Most importantly, due to the absence of consensus on the concept and measurement of OE it is not possible to empirically validate the recommended set of practices. In other words, the causal direction and explanatory power of them is based solely on inference. Because the measurement tools currently available to evaluate OE do not allow for comparisons between NPOs, there is no dependent variable to test regarding whether, or to what extent, a single or entire set of practices can predict a nonprofits' effectiveness. This implies that an NPO could successfully implement all practices identified in this study and still be ineffective, for example, due to external factors such as economic or political crises of the kind plaguing Europe today or internal factors such as de-motivating leaders.

Other limitations should be mentioned. The set of practices discussed here is neither exhaustive nor stable, and is vulnerable to context-dependency due to their partial reliance on the views of practitioners based in the Netherlands. Moreover, as discussed before, they are distilled from studies that have used a variety of conceptualizations and measurements of OE (presented in table 5-1). Therefore the use of an aggregated set of best practices, and their translation into questionnaire items risks the loss of their original validity. However, all practices and their corresponding questionnaire items have been established through the multi-step method where they were subject to the views of practitioners that did explicitly understand OE as mission advancement. As research on NPO effectiveness and its determinants progresses, the set can be expanded or altered. The progression of the research on the concept and measurement of nonprofit OE will have to show to what extent the set of practices identified in this study, and the survey specifically, can impact OE, and whether this ability varies for various cultural and sector specific contexts. Further research could also focus on the potential role of the identified set of practices and the instrument in processes of organizational change.

Appendix

Table 5-3 Determinants extracted from the literature review and the first focus group

	Nonprofit OE determinants	Literature review	First expert focus group
1	Availability of a strategic plan	X	X
2	Availability of an annual report	X	X
3	Content of annual report (1.results in relation to goals; 2.financial report; 3. Next year's budget)	X	X
4	Accessible via various channels (1.postal mail; 2.phone; 3.email)	X	X
5	Systemic procedures for dealing with questions, feedback and critiques	X	X
6	Website includes contact information and reporting	X	X
7	Online publication of strategic plan	X	X
8	Online publication of annual report	X	X
9	Online publication of board members' identities	X	X
10	Detailed mission statement (1.primary target group of beneficiaries; 2. Envisioned social change; (3.main activities))	X	X
11	Linkage/Logic between mission statement and (main) activities	X	X
12	Long term strategic plan (min.3 years)	X	X
13	SMART goals in strategic plan	X	X
14	Research/ Strategic consideration of context-analysis of other organizations with similar mission statement	X	X
15	Research/ Strategic consideration of alternative activities to advance mission	X	X
16	Cooperation with other organizations	X	X
17	Research/ Strategic consideration of (results from) risk analysis	X	X
18	Participative formulation of organizational strategy	X	X
19	Clear separation between board and executives	X	X
20	Independence of board	X	X
21	Evidence-based** (research/ previous experience/ evaluations) design of activities	X	X
22	Participative* design of activities	X	X
23	Participative* design of activities***	X	X
24	Participative* monitoring of activities	X	X
25	Participative* evaluation of activities	X	X
26	Evaluation including negative and positive (un)intended effects on other people and the environment	X	X
27	Impact measurement	X	X
28	External evaluation	X	X
29	Logic model and risk of its assumptions	X	X
30	Current stage in the organizational life cycle	X	X
31	Previous experience of board members	X	X
32	Rate of paid to unpaid staff	X	X
33	Board diversity	X	X
34	Specific group of beneficiaries	X	X
35	Employee turnover		X
36	Size marketing budget		X
37	Adaptation and reformulation of the mission statement	X	
38	Motivation of employees	X	
39	Educational background and experience CEO	X	

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40	Board organized in committees	X	
41	Grassroots/ local partnerships	X	
42	Executive management team diversity	X	
43	Previous experience of executive management team	X	
44	Means of funding sources	X	
45	Diversity of funding sources	X	
46	Government subsidies as funding sources	X	
47	Staff training and development	X	
48	Systematic performance reviews of staff	X	
49	Brand awareness	X	
50	Organizational growth rate	X	
51	Financial health	X	
52	Age since foundation	X	
53	Number of partnerships/ networks	X	
54	Level of competition in the market the organization serves	X	

* Refers to beneficiaries where possible or otherwise other relevant constituents or experts (please refer to the set requirements depicted in appendix table 5-5 that specifies the required group type to be involved depending on type of interventions)

** Does not limit to a specific type of evaluation

*** Same criteria as in 'design' but now with the function to create ownership

Table 5-4 First list of questionnaire items, evaluated by second expert focus group and TSTI interviews with the NPOs

	OE Determinants	Questionnaire Items (bold = rejected by expert focus group, <i>italics</i> = rejected by TSTI interviews)	Measurement Scales (bold = 1 point, other answers = 0 points)
1	Availability of a strategic plan	Can everybody request the strategic plan via post or email?	Yes (=post or email); No
2	Availability of an annual report	Can everybody request the annual report via post or email?	Yes (=post or email); No
3	Content of annual report (1.results in relation to goals; 2.financial report; 3. Next year's budget)	Does the annual report contain 1) results achieved in relation to formulated goals, 2) financial report, 3) Next year's financial budget	1) Yes ; No, 2) Yes ; No, 3) Yes ; No
4	Accessible via various channels (1.postal mail; 2.phone; 3.email)	Can the organization be contacted via 1) postal mail, 2) phone, 3) email	1) Yes ; No, 2) Yes ; No, 3) Yes ; No
5	Systemic procedures for dealing with questions, feedback and critiques	<i>Statement</i> : There are systemic procedures in place to deal with questions, feedback and critiques?	Not at all; Hardly; Partially; Completely
6	Website includes contact information and reporting	Does the organization have a website with at minimum its contact information and various forms of reporting?	Yes ; No
7	Online publication of strategic plan	Is the strategic plan published online?	Yes ; No
8	Online publication of annual report	Is the annual report published online?	Yes ; No
9	Online publication of board members' identities	Are the identities (names) of at least 3 of the board members published online?	Yes ; No
10	Detailed mission statement (1.primary target group of beneficiaries; 2. Envisioned social change; (3.main activities))	Does the organization have a detailed mission statement that includes information on 1) primary target group of beneficiaries, 2) Envisioned social change, 3) main activities	1) Yes ; No, 2) Yes ; No, 3) Yes ; No
11	Linkage/Logic between mission statement and (main) activities	<i>Statement</i> : There is a clear logic that connects the organizations' mission statement and its (main) activities?	Not at all; Hardly; Partially; Completely
12	Long term strategic plan (min.3 years)	What term does the strategic plan of the organization span?	1) <1 year, 2) 1 year, 3) 1-3 years, 4) 3 years or more
13	SMART goals in strategic plan	Are all the goals in the strategic plan formulated in a fashion where they are 1) specific, 2) measurable, 3) attainable, 4) relevant and 5) time-bound	1) Yes ; No, 2) Yes ; No, 3) Yes ; No 4) Yes ; No, 5) Yes ; No
14	Research/ Strategic consideration of context-analysis of other organizations with similar mission statement	<i>Statement</i> : Other organizations detected in the context analysis with similar mission statements influence(d) the (re-)evaluating of the formulation of the organizations' mission statement.	Not at all; Hardly; Partially; Completely
15	Research/ Strategic consideration of alternative activities to advance mission	<i>Statement</i> : The organization researches and strategically considers alternative activities that can be pursued to advance its mission statement	Not at all; Hardly; Partially; Completely
16	Cooperation with other organizations	<i>Statement</i> : The organization cooperates with (public, private, not-for-profit) other organizations	1) Not at all, 2) Hardly, 3) Partially, 4) Completely
17	Research/ Strategic consideration of (results from) risk analysis	<i>Statement</i> : The organization frequently performs risk analysis and strategically considers the results from these analyses	Not at all; Hardly; Partially; Completely
18	Participative* formulation of organizational strategy	In the formulation of the strategy the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above	1) Yes ; No, 2) Yes ; No, 3) Yes ; No 4) Yes ; No
19	Clear separation between board and executives	<i>Statement</i> : There is a clear separation between the organizations' board and its executive management team	Not at all; Hardly; Partially; Completely

20	Independence of board	In the board, 1) the members do not receive any sort of financial compensation, 2) there are at least 3 members of the board, 3) 2/3 of the board members are independent from the organization, 4) the chairman of the board is independent	1) Yes ; No, 2) Yes ; No, 3) Yes ; No 4) Yes ; No
21	Evidence-based** (research/previous experience/evaluations) design of activities	<i>Statement:</i> The design of each of the activities is based on research, previous experience or evaluations	Not at all; Hardly; Partially; Completely
22	Participative* design of activities	In the design of each of the activities the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above*	1) Yes; No, 2) Yes; No, 3) Yes; No, 4) Yes; No*
23	Participative* design of activities***	In the design of each of the activities the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above*	1) Yes; No, 2) Yes; No, 3) Yes; No, 4) Yes; No*
24	Participative* monitoring of activities	In the monitoring of each of the activities the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above*	1) Yes; No, 2) Yes; No, 3) Yes; No, 4) Yes; No*
25	Participative* evaluation of activities	In the evaluation of each of the activities the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above*	1) Yes; No, 2) Yes; No, 3) Yes; No, 4) Yes; No*
26	Evaluation including negative and positive (un)intended effects on other people and the environment	The evaluation of each of the activities includes: 1) negative effects on other people, 2) negative effects on the environment, 3) positive effects on other people, 4) positive effects on the environment, 5) negative effects on the beneficiaries	1) Yes ; No, 2) Yes ; No, 3) Yes ; No 4) Yes ; No 5) Yes , No
27	Impact measurement	<i>Statement:</i> The organization evaluates all its activities on the impact level	Not at all; Hardly; Partially; Completely
28	External Evaluation	The evaluations are conducted by external evaluators	Yes ; No
29	Logic Model and risk of its assumptions	<i>Statement:</i> The organization has outlaid a logic model for each of its activities and has specified the assumptions that underlie this logic model and the short and long term risks of each of these assumptions	Not at all; Hardly; Partially; Completely
30b	<i>Current stage in the organizational life cycle</i>	<i>In what organizational life cycle stage is the organization currently?</i>	<i>Open question</i>
31b	<i>Previous experience of board members</i>	<i>What is the previous experience of the board members?</i>	<i>Open question</i>
32a	Rate of paid to unpaid staff	What is the rate of paid to unpaid staff?	Open question
33a	Board diversity	Please specify the gender, ethnicity and any relevant information on the socio-economic status and experience of the board members	Open Question
34a	Specific group of beneficiaries	What is the specific group of beneficiaries that the organization targets?	Open question

* Refers to beneficiaries where possible or otherwise other relevant constituents or experts (please refer to the set requirements depicted in appendix table 5-5 that specifies the required group type to be involved depending on type of interventions) ** Does not limit to a specific type of evaluation *** Same criteria as in 'design' but now with the function to create ownership

a Excluded in the first draft questionnaire

b Excluded based on TSTI interviews

Table 5-5 29 Item pilot survey

	Organizational Effectiveness Determinants	Questionnaire Items (bold = rejected on the basis of the pilot study)	Measurement Scales (bold = 1 point, other answers = 0 points)	Control Questions (open questions)
1	Availability of a strategic plan	Can everybody request the strategic plan via post or email?	Yes (=post or email); no	Send in (by post or email) strategic plan
2	Availability of an annual report	Can everybody request the annual report via post or email?	Yes (=post or email); no	Send in (by post or email) annual report
3	Content of annual report (1.results in relation to goals; 2.financial report; 3. Next year's budget)	Does the annual report contain 1) results achieved in relation to formulated goals, 2) financial report, 3) Next year's financial budget	1) Yes ; no, 2) Yes ; no, 3) Yes ; no	Provide URL of annual report or send in (by post or email) annual report
4	Accessible via various channels (1.postal mail; 2.phone; 3.email)	Can the organization be contacted via 1) postal mail, 2) phone, 3) email	1) Yes ; no, 2) Yes ; no, 3) Yes ; no	Provide details 1) postal mail, 2) phone number, 3) email address
5	Systemic procedures for dealing with questions, feedback and critiques	<i>Statement:</i> There are systemic procedures in place to deal with questions, feedback and critiques?	Not at all; Hardly ; Partially; Completely	Provide an example of a question that was posed and how it was followed up internally
6	Website includes contact information and reporting	Does the organization have a website with at minimum its contact information and various forms of reporting?	Yes ; no	Provide address of the website
7	Online publication of strategic plan	Is the strategic plan published online?	Yes ; no	Provide URL of strategic plan
8	Online publication of annual report	Is the annual report published online?	Yes ; no	Provide URL of annual report
9	Online publication of board members' identities	Are the identities (names) of at least 3 of the board members published online?	Yes ; no	Provide URL to webpage with identities board members
10	Detailed mission statement (1.primary target group of beneficiaries; 2. Envisioned social change; (3.main activities))	Does the organization have a detailed mission statement that includes information on 1) primary target group of beneficiaries, 2) Envisioned social change, 3) main activities	1) Yes ; no, 2) Yes ; no, 3) Yes ; no	Provide the mission statement
11	Linkage/Logic between mission statement and (main) activities	<i>Statement:</i> There is a clear logic that connects the organizations' mission statement and its (main) activities?	Not at all; Hardly ; Partially; Completely	Provide the logic that connects the organizations' mission statement and (one of) its main activity(ies)
12	Long term strategic plan (min.3 years)	What term does the strategic plan of the organization span?	1) <1 year, 2) 1 year, 3) 1-3 years, 4) 3 years or more	Provide URL of strategic plan
13	SMART goals in strategic plan	Are all the goals in the strategic plan formulated in a fashion where they are 1) specific, 2) measurable, 3) attainable, 4) relevant and 5) time-bound	1) Yes ; no, 2) Yes ; no, 3) Yes ; no 4) Yes ; no, 5) Yes ; no	Provide two examples of goals in the strategic plan
14	Research/ Strategic consideration of context-analysis of other organizations with similar mission statement	<i>Statement:</i> Other organizations detected in the context analysis with similar mission statements influence(d) the (re-)evaluating of the formulation of the organizations' mission statement.	Not at all; Hardly ; Partially; Completely	Provide an example of another organization with a similar mission statement and explain how the existence of this organization has influenced the (re-)formulation of the mission statement
15	Research/ Strategic consideration of alternative activities to advance mission	<i>Statement:</i> The organization researches and strategically considers alternative activities that can be pursued to advance its mission statement	Not at all; Hardly ; Partially; Completely	Provide an example of an alternative activity that was considered, and explain why it was or wasn't integrated into the organizations' strategy

16	Cooperation with other organizations	<i>Statement:</i> The organization cooperates with (public, private, not-for-profit) other organizations	1) Not at all, 2) Hardly, 3) Partially, 4) Completely	Provide an example of a public, private or not-for-profit organization with which the organization cooperates
17	Research/ Strategic consideration of (results from) risk analysis	<i>Statement:</i> The organization frequently performs risk analysis and strategically considers the results from these analyses	Not at all; Hardly; Partially; Completely	Provide an example of a specific result from a risk analysis and describe how it was integrated in the organizations' strategy
18	Participative formulation of organizational strategy	In the formulation of the strategy the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above	1) Yes ; no, 2) Yes ; no, 3) Yes ; no 4) Yes ; no	Explain which stakeholders are consulted and what the mechanisms are through which they are involved in the formulation of the strategy (e.g. beneficiary in board)
19	Clear separation between board and executives	<i>Statement:</i> There is a clear separation between the organizations' board and its executive management team	Not at all; Hardly; Partially; Completely	Provide two examples of functions that the board is involved with that are separate from the responsibilities of the executive management team
20	Independence of board	In the board, 1) the members do not receive any sort of financial compensation, 2) there are at least 3 members of the board, 3) 2/3 of the board members are independent from the organization, 4) the chairman of the board is independent	1) Yes ; no, 2) Yes ; no, 3) Yes ; no 4) Yes ; no	Provide proof of the independence and absence of financial compensation of the board members and the chairman of the board
21	Evidence-based** (research/ previous experience/ evaluations) design of activities	<i>Statement:</i> The design of each of the activities is based on research, previous experience or evaluations	Not at all; Hardly; Partially; Completely	Provide an example of the evidence (research, previous experience or evaluations) that one (of the main) activity(ies) of the organization is based on
22	Participative* design of activities	In the design of each of the activities the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above*	1) Yes ; no, 2) Yes ; no, 3) Yes ; no 4) Yes ; no*	Explain which beneficiaries are consulted and what the mechanisms are through which they are involved in the design of the activities
23	Participative* design of activities***	In the design of each of the activities the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above*	1) Yes ; no, 2) Yes ; no, 3) Yes ; no 4) Yes ; no*	Explain which beneficiaries are consulted and what the mechanisms are through which they are involved in the design of the activities
24	Participative* monitoring of activities	In the monitoring of each of the activities the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above*	1) Yes ; no, 2) Yes ; no, 3) Yes ; no 4) Yes ; no*	Explain which beneficiaries are consulted and what the mechanisms are through which they are involved in the monitoring of the activities
25	Participative* evaluation of activities	In the evaluation of each of the activities the following groups are involved 1) experts, 2) beneficiaries, 3) recipients (e.g. doctors), 4) none of the above*	1) Yes ; no, 2) Yes ; no, 3) Yes ; no 4) Yes ; no*	Explain which beneficiaries are consulted and what the mechanisms are through which they are involved in the evaluation of the activities

26	Evaluation including negative and positive (un)intended effects on other people and the environment	The evaluation of each of the activities includes: 1) negative effects on other people, 2) negative effects on the environment, 3) positive effects on other people, 4) positive effects on the environment, 5) negative effects on the beneficiaries	1) Yes ; no, 2) Yes ; no, 3) Yes ; no 4) Yes ; no; 5) Yes ; no	Provide an example of one activity and one of each negative effects on each of the following categories: 1) negative effects on other people, 2) negative effects on the environment, 3) positive effects on other people, 4) positive effects on the environment, 5) negative effects on the beneficiaries
27a	Impact measurement	Statement: The organization evaluates all its activities on the impact level	Not at all; Hardly; Partially; Completely	Please provide an example of two indicators on which a specific activity was evaluated
28a	External Evaluation	The evaluations are conducted by external evaluators	Yes; no	Please provide the details (name and website or postal address) of at least two of the external evaluators that have been used.
29a	Logic Model and risk of its assumptions	Statement: The organization has outlaid a logic model for each of its activities and has specified the assumptions that underlie this logic model and the short and long term risks of each of these assumptions	Not at all; Hardly; Partially; Completely	Provide an example of a logic model of one activity, including examples of four of the assumptions and their short and long term risks

* Refers to beneficiaries where possible or otherwise other relevant constituents or experts (please refer to the set requirements depicted in appendix table 5-5 that specifies the required group type to be involved depending on type of interventions)

** Does not limit to a specific type of evaluation

*** Same criteria as in 'design' but now with the function to create ownership
a Excluded Based on the results of the pilot study

Table 5-6 Required group type to be involved in the design/monitoring/evaluation of the activities depending on type of interventions

	Direct Psycho-social and Physical Improvements (e.g. sexual harassment group therapy)	Knowledge Development (e.g. leukemia research)	Skill Development and Capacity Building (e.g. obstetrics workshop)	Awareness and Behavioral Changes (e.g. drunk driving campaign)	Policy (e.g. human rights advocacy)
Design	Beneficiaries	Experts	Recipients (e.g. doctors, policy makers)	Experts	Experts
Monitoring	Beneficiaries	Experts	Recipients (e.g. doctors, policy makers)	Experts	Recipients (e.g. doctors, policy makers)
Evaluation	Beneficiaries	Experts	Recipients (e.g. doctors, policy makers)	Beneficiaries	Recipients (e.g. doctors, policy makers)

Chapter 6

Approaches to Social Responsibility¹⁵

Abstract

The aim of this review is to present a comprehensive overview of the concept and literature on social responsibility. Although the literature on social responsibility is rich, it does not compose an autonomous field of theorizing. Instead, the field has become a receptacle and an area of application for a large number of theoretical approaches originating in management, or in the social sciences and applied philosophy more broadly. This multidisciplinary nature is reflected in the wide range of, sometimes conflicting, conceptualizations of social responsibility. Such tensions between definitions are fueled further by the fact that the debate about SR has stronger ideological undertones than are found in most other debates in the social sciences. Moreover, it is important to recognize that in addition to being a scholarly field of work, SR is also a field of practice, where practitioners have had a major agenda-setting influence on the scholarly community. In contrast, the review shows that very little research has been devoted to gaining understanding of the process through which SR has become such a widespread phenomena. Moreover, the research on SR is most heavily characterized by its lack of attention for the outcomes of social responsibility for society.

¹⁵ This chapter is based upon:

Liket, K.C. and Heugens, P.P.M.A.R. (2012). Approaches to Sustainability. *Oxford Bibliographies Online*, Oxford University (**Published**). Available from: <http://www.oxfordbibliographies.com/view/document/obo-9780199846740/obo-9780199846740-0037.xml>

6.1. Introduction

In its most narrow sense, “social responsibility” (SR) refers to corporations going beyond their legal and economic obligations to better society. However, SR is used as an umbrella term to refer to many (inter)relating concepts such as corporate social responsibility, corporate social performance, corporate citizenship, and sustainability. The SR literature does not compose an autonomous field of theorizing. It relies on various disciplines to supply it with theories and methodologies, such as economics, psychology, sociology, and management. Therefore, it can best be understood as a field of application at the intersection of a variety of social–scientific approaches. The interdisciplinary nature of SR research harbors opportunities for cross-fertilization, but it also comes associated with several forms of “collateral damage,” including a lack of conceptual clarity and insufficient delineation of research paradigms. In the extant SR literature, two broad branches can be identified. First, there is an instrumental branch, which seeks to demonstrate how investments or expenditures on SR can contribute positively to corporate performance or other self-set corporate goals. Second, there is a normative branch, which seeks to identify the extralegal and extra-economic duties and obligations that rest on corporations.

The aim of this review is to present a comprehensive overview of the concept and literature on SR. First, the sources of the literature on SR, which include textbooks, a number of references sources and a set of academic journals, are discussed. Second, a short overview of the history and trends that SR has gone through is presented. Third, a chronological review is conducted of the conceptualizations of SR. Fourth, the main theoretical approaches to SR are discussed. Last, a number of important research themes of SR are presented. The main gaps in our knowledge of SR are discussed briefly in the conclusion.

6.2. Sources of Literature

There are a number of good sources for literature on SR. Numerous authoritative researchers produced useful textbooks and reference sources on the topic. There is also a wide range of management and specialist journals that publish studies on SR. Moreover, there are a number of insightful conceptual reviews and meta-analyses of SR.

Textbooks

Despite the generally unstructured landscape of academic and practitioner books on the topic of SR, there are a number of useful textbooks addressing the SR of companies. These books typically contain a historicizing account of the SR concept, an overview of the various stakeholder groups associated with corporate or entrepreneurial activity, a categorization of the foundational theories or

contributions to the SR concept, and a number of conceptually adjacent applications of SR thought. In one contribution, Vogel (2006) lays out the argument that there is a “market” for SR, in the sense that corporations are likely to voluntarily engage in SR behaviors in response to stakeholder blowback, but this market is necessarily incomplete. Political solutions are therefore needed to further regulate the social impact of business. The book by Carroll and Buchholtz (2012) is one of the few undergraduate-level textbooks on SR. The book is somewhat US focused, but its strengths lie in the fact that it offers a non-value-laden approach to SR, is based on a broad reading of the SR literature, and provides a useful synopsis of all available analytical tools and models. In contrast, the book by Crane, Matten and Moon (2008) is more suited to graduate students. It uses the concept of citizenship, both as a metaphor and as a direct application, to understand the social and political role of corporations in civil society.

Reference Resources

Because SR is both a relatively new field, as well as a field drawing from many disciplines, academic journals are the best source of high-quality information. Other reference sources are the encyclopedic work by Visser, Matten, Pohl and Tolhurst (2010), which provides a comprehensive dictionary directed toward practitioners and teachers. The book presents a wealth of examples and case studies in which current practices of SR are documented. It specifically highlights the innovative ways in which SR is being practiced. It also provides the most comprehensive overview to date of transnational institutional bodies of SR. The edited volume by Crane, McWilliams, Matten, Moon and Siegel (2008) brings together a broad collection of high-quality contributions to corporate social responsibility, written by leading scholars in the field. In addition to covering the origins of SR thought, the volume also incorporates critiques, applications, and methodological contributions. Thereby it lays out the state-of-the-art research and current debates in SR. The work by Waddock and Rasche (2012) makes academic research accessible to practitioners by providing a readable overview of core ideas on SR. It tries to build a bridge between the worlds of academia and practice by discussing corporate responsibility research in a way that makes it accessible and valuable to practicing managers and policymakers. It contains both practical tools and case examples. The edited volume by Carroll, Lipartito, Post and Wehane (2012) take a historical approach and detail the history of corporate responsibility in the United States from the mid-18th century onward until the present day. It brings together contributions from a variety of accomplished scholars, focuses on the case of SR in the United States. Applying a historical lens, the chapters in this volume analyze the evolution of corporate SR from the late eighteenth century to the present day.

Journals

Peer-reviewed academic journals generally provide the most up-to-date knowledge about the field. For research on SR it is useful to make a distinction between general management journals, specialized disciplinary journals, and managerial publications. The general management journals include the journals published by the *Academy of Management*, which consist of the *Academy of Management Journal*, the flagship journal for empirical research, and *Academy of Management Review*, publishing theoretical and conceptual articles. Other general management journals that address SR are the *Administrative Science Quarterly* and the *Journal of Management Studies*. A strong focus on SR can be found in specialized disciplinary journals such as *Business Ethics Quarterly*, *Journal of Business Ethics*, and *Business and Society*. Managerial publications aiming to inform practicing managers, such as *Harvard Business Review*, also frequently report on issues related to SR.

Conceptual Reviews

Numerous studies summarize the evolution of the conceptualization SR, often culminating in a more concrete agenda for future research, such as Carroll (1999), who presents a comprehensive historical overview. Waddock (2004) provides the argument that SR has evolved in a number of different “universes,” both within the scholarly domain as well as at the intersection between the academy and practice. Lee (2008) argues that the conceptual evolution of SR has seen a general shift to an increased focus on the business case of SR. Other reviews, such as Wood (2010), focus on the measurement of SR, whereas Pelozo and Shang (2011) address the value SR can create for stakeholders.

Meta-Analyses

There are a number of informative meta-analyses and bibliometric studies of the SR literature, including the study by Orlitzky, Schmidt and Rynes (2003), which focuses on the effects of social and environmental performance on financial performance. On the basis of a bibliometric analysis of the literature, de Bakker, Groenwegen and Den Hond (2005) find SR to be firmly embedded in management research. On the basis of a comprehensive review of the SR literature, Aguinis and Glavas (2012) argued for multilevel and multidisciplinary research of SR and provide a compelling agenda for future research.

6.3. History and Trends

Even though there is evidence for businesses taking responsibility for societal issues for centuries, academic interest in the concept has spurred only since the 1950s. From then onwards, ideas of SR have undergone some substantial changes.

In his visionary book, Heald (1970) not only documented the history of corporate responsibility, but also made conjectures concerning the future development of SR practices. Thereby the book identified certain SR behaviors that are now common practice well ahead of time, such as the spread of corporate foundations and corporate social auditing. Heald (1970) suggested four alternative ways of “measuring” the social performance of business: (1) reducing social performance to financial performance; (2) relying on the invisible hand of the market to eradicate irresponsible behavior; (3) welfare economics–based social welfare modeling; and (4) the creative voluntarism of corporate responsibility. A noteworthy reference from before the 1950s includes Clark (1939). This book provides a systems-thinking approach to the issue of SR. It analyzes how social controls can be used to correct for a lack of SR of business. The core of the argument is that in a pluralistic society, privately applied controls lead to half-measures and piecemeal solutions, such that more concerted control by the state is warranted.

In 1953 Bowen laid the foundation for the theoretical work on corporate social responsibility (CSR), shifting the question from whether business should take on SRs to which specific SRs businessmen should take upon themselves. He makes that essential point that entrepreneurs do not operate in a societal vacuum, and that they have the responsibility to orientate their ventures on the expectations, aims, and values of the larger society of which they are part. In reaction to Bowen, opponents such as T. Levitt and Milton Friedman (Friedman, 1970, Levitt, 1958) argue that businesses should not go beyond their alleged responsibility of maximizing the value delivered to their shareholders, within the bounds set by the law. In specific, Levitt (1958) stated that managers should not let themselves be led by sentiments or idealism when it comes to SR. Socially responsible actions should be taken only if they make good business sense. Therefore, managers should invest in their knowledge of government functions, such that they can let it take care of general welfare. Friedman (1970) presented the seminal statement of the libertarian case against corporate-level SR investments. He argued not only that managers have no business diverting revenues that belong to shareholders toward social causes, but also that doing so interferes negatively with the functioning of the free-market economy.

The 1960s thus present a shift in the concept of SR with decreased attention for the macro-level discussion on the moral obligations of businesses. Instead, the discussion becomes focused on the “business case” for CSR, and the link between CSR and firms’ long-term financial performance is

fully explored. In response, the 1970s and 1980s show many studies on the link between CSR and corporate financial performance. However, theoretical arguments and concrete mechanisms to explain this link do not begin to emerge until the 1980s and 1990s. After the 1990s and into the 2000s, CSR becomes almost universally sanctioned, illustrated by its widespread promotion by various constituents in global society such as the *Organisation for Economic Co-operation and Development*, *United Nations*, *World Bank*, and nongovernmental organizations such as the *Global Reporting Initiative*. Various other related concepts, such as corporate citizenship, are proposed. Moreover, in an attempt to create consensus on the concept, models of CSR are extended by the integration of numerous other dimensions. Theories such as stakeholder theory and agency theory are increasingly applied and compared, and new emphases arise on performance, outcomes, and results measurement.

6.4. Definitions

Unsurprisingly, given that researchers from a variety of foundational disciplines such as (welfare) economics, philosophy, (organizational) sociology, and social psychology have contributed to SR as field of scholarly application, a variety of definitions of SR exist. Sometimes these definitions are conceptually complementary, but sometimes they are in more or less direct competition with one another, especially when the underlying scientific paradigms are incommensurable. Such tensions between definitions are fueled further by the fact that the debate about SR has stronger ideological undertones than are found in most other debates in the social sciences. Positions in the debate range from pure libertarianism, which is very condemning of SR activities by corporations, to pure philanthropy, which sees even enlightened self-interest as an overly narrow motivation for SR. To make sense of the variety of definitions of SR, we present them chronologically. We first characterize the evolution of the concept up to 1970, then proceed by discussing SR definitions in the 1970s (a period characterized by rapid progress in SR thought), and close with contemporary definitions.

Definitions until 1970

One of the earliest definitions of SR is proposed in Bowen (1953): “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (p. 6). Subsequently, Davis (1960) offers a slightly more extensive definition “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (p. 70). The foundations for the currently popular definition of SR are laid in McGuire (1963): “The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations” (p. 144). Davis and Blomstrom (1966) clearly build upon this broadened conceptualization, although the authors refer again to the

business person as the agent instead of the corporation: “Social responsibility, therefore, refers to a person’s obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interest of others who may be affected by business actions. In so doing, they look beyond their firm’s narrow economic and technical interests” (p. 12). Walton (1967) offers a definition that frames SR as a relationship between business and society: “In short, the new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals” (p. 14).

Definitions in the 1970s

By the 1970s, the “conventional wisdom” on SR is captured by the definition in Johnson (1971): “A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation” (p. 50). In its publication *Social Responsibilities of Business Corporations* the *Committee for Economic Development* defined corporate social responsibility (CSR) in stating that “business functions by public consent and its basic purpose is to serve constructively the needs of society to the satisfaction of society” (Committee for Economic Development, 1971, p. 11). Davis (1973) offers a classic definition of CSR as “the firm’s 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” (p. 312). Votaw (1973, p. 70) discusses “dimensions of corporate social performance,” and in the process distinguishes between corporate behavior that might be called “social obligation,” “social responsibility,” and “social responsiveness.” In social obligation the criteria are economic and legal only. SR, by contrast, goes beyond social obligation, where it “bring[s] corporate behavior up to a level where it is congruent with the prevailing social norms, values, and expectations of performance” (p. 62). Preston and Post (1975) seek to draw attention away from the concept of CSR and toward a more general notion of public responsibility.

Contemporary Definitions

The study by Wartick and Cochran (1985) finds that the concept of SR has taken binary connotations, as if responsible companies engage in CSR while irresponsible companies do not. In one of the most-cited articles of the business and society field, Carroll (1979) develops a three-dimensional conceptual model of corporate social performance (CSP) that views the set of responsibilities businesses may accept on behalf of society not as trade-offs but as a cumulative set captured in a pyramid; defining CSR as “the social responsibility of business encompasses the economic, legal, ethical, and

discretionary expectations that society has of organizations at a given point in time” (p. 500). Others further develop the Carroll model, such as Ullmann (1985), Wartick and Cochran (1985), and Wood (1991). Frederick (1986) sums up the definition of SR as follows: “The fundamental idea of ‘corporate social responsibility’ is that business corporations have an obligation to work for social betterment” (p. 4). Wood (1991) criticizes Carroll and other researchers for not explicitly stating a thorough definition of CSR. Consequently, Wood (1991) attempts to reconcile the various definitions and models by offering a model that frames principles of SR at the institutional, organizational, and individual levels. Processes of social responsiveness are shown to be environmental assessment, stakeholder management, and issues management. Outcomes of CSP are posed as social impacts, programs, and policies. Ever since, the concept of SR has become firmly rooted in the practitioners’ debate, whereas in the academic literature the term has been subject to conceptual proliferation resulting in a range of closely (inter-)related concepts such as CSP, corporate social responsiveness, corporate citizenship, and the like.

6.5. Theoretical Approaches

The SR field has never genuinely become an area of autonomous theorizing. Instead, the field has become a receptacle and an area of application for a large number of theoretical approaches originating in management, or in the social sciences and applied philosophy more broadly. The theories most frequently used to conceptualize the relationship between business and societal actors include agency theory, stakeholder theory, institutional theory, resource dependency theory, the resource-based view of the firm, and various theories in the area of business ethics.

Agency Theory

Agency theory stems from the agent–principal relation, in which in the context of the firm the agent (manager) is hired by a (fictitious) principal (the shareholder) to run the corporation on his or her behalf. In such agency relationships, problems tend to emerge because agents’ efforts are difficult to measure (the metering problem) and their behavior is difficult to observe (the monitoring problem), while, at the same time, the interests of agents and principals are imperfectly aligned. Friedman (1970) was the first source to argue that corporate social responsibility (CSR) signals an agency problem within the firm. From this agency theory perspective, any of the resources not spent on value-adding activities or shareholders’ returns are demonstrating a misuse of resources that stems from the personal preferences of corporate managers to advance their personal agendas. Following in Friedman’s footsteps, Baumol and Blackman (1991) posits that CSR is a form of corporate altruism at the managerial level, and is a waste of scarce resources that are, arguably, the responsibility of the government. In turn, agency theory has been critiqued for its naive view of the efficacy of

governments, failing to recognize governments' failures.

Stakeholder Theory

The core idea behind stakeholder theory is that firms can strategically serve and manage stakeholders beyond their shareholders alone; such stakeholders have traditionally been omitted from the analyses and were perceived as being adversarial to the firm's profit potential. In its embrace of stakeholder thought, strategic management becomes a balancing act between the (often competing) multiplicity of objectives. Freeman (1984) is important in pushing stakeholder theory forward, defining "stakeholders" as "any group or individual who is affected by or can affect the achievement of an organization's objectives" (p. 46). Stakeholder theory was extended and consequently applied to SR by works such as Clarkson (1995) and Jones (1995). Clarkson (1995) creates the distinction between stakeholder issues and social issues, urging the need to use appropriate levels of analysis: institutional, organizational, and individual. Jones (1995) aims to construct an instrumental stakeholder theory by relating it to economic theories such as principal-agent theory, team production theory, and transaction cost economics to advance the link between actions and outcomes. In response to one of the greatest shortcomings of stakeholder theory, its lack to prescribe which groups are and which are not instrumental to the firm, several scholars have developed frameworks of stakeholder identification and prioritization. Donaldson and Preston (1995) argue that stakeholder theory has three strong and interlocking features, notably: descriptive accuracy, instrumental power, and normative validity. While these features can pertain to or be found in any stakeholder relationship, they are analytically distinct and must be conceptualized and researched differently. The framework developed by Mitchell, Agle and Wood (1997) use the concepts of power, legitimacy, and urgency to evaluate which stakeholders should be prioritized for action by managers. Agle, Mitchell and Sonnenfeld (1999) empirically test and affirm this three-pronged typology of stakeholder salience.

Innovations in Stakeholder Theory

Innovations in stakeholder theory are the network-based model of corporate social responsibility (Rowley, 1997), the distinction between the strategic stakeholder model and the intrinsic model (Berman, Wicks, Kotha and Jones 1999), and a "convergent" model that integrates the strategic and intrinsic models (Jones and Wicks, 1999). Luoma and Goodstein (1999) find in an empirical study that variations in institutional environments are associated with stakeholder representation on corporate boards. Numerous empirical studies, including Barnett (2007), have attempted to uncover whether stakeholder management contributes to enhance financial performance. Porter and Kramer (2011) stress that companies and stakeholders must jointly search for shared value in a way that helps them escape traditional trade-offs and antagonisms between business and societal interests.

Institutional Theory

Institutional theory explains differences between firms' SR on the basis of the social, cultural, and institutional context in which companies are located. Its core argument is that these contextual differences influence the motivations of managers, shareholders, and all other stakeholders by attaching normative sanctions and social evaluations to alternate courses of behavior. Such sanctions derive not only from formal institutions like the law, but also from informal social structures, as institutions are understood as "collections of rules and routines that define actions in terms of relations between roles and situations" (March and Olsen, 1989, p. 160). In Suchman (1995), the argument is made that corporations are motivated to adhere to these varying institutional pressures because they can gain social legitimacy by "confirming to environments" (p. 587). Thus "legitimacy" is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p. 574). Jennings and Zandbergen (1995) argue for the vital role of institutional theory in explaining the concept and practice of corporate environmental responsibility. Moreover, it has been argued that institutional theory allows SR to be understood as part of the general trend toward the globalization of international management (Guler, Guillen and Macpherson, 2002). Aguilera and Jackson (2003) posit that institutional theory, as opposed to agency theory, which is argued to be too simplistic, is especially useful in comparing cross-national differences in SR. Campbell (2007) develops a framework specifying numerous institutional factors that influence whether corporations practice SR. Critical perspectives on institutional theory have argued that it neglects the role of agency by portraying organizations as passive adapters, as in Tempel and Walgenbach (2007).

Resource Dependency Theory

Resource dependency theory has become one of the most influential theories of strategic management and organizational theory. First introduced in Pfeffer and Salancik (1978), the theory seeks to explain how organizations reduce environmental uncertainty and interdependence, and identifies five actions that firms can take to minimize their environmental dependences: (1) mergers/vertical integration; (2) joint ventures and other interorganizational relationships; (3) interlocking boards of directors; (4) political action; and (5) executive succession. In a review of the overall resource dependency literature, the study by Hillman, Withers and Collin (2009) describes the focus on either one (or a combination of) these five actions, finding clear evidence of the original assertion of resource dependency theory that firms that depend on the environment can and do enact multiple strategies to combat these contingencies. Empirical evidence shows that each of the proposed areas of action validates the reciprocal effect of uncertainty and interdependence on businesses. Resource dependence theory has

frequently been applied in the context of SR, primarily to explain the differential responsiveness of businesses to the social demands of various stakeholder groups, and appears to be driven by the latter's direct or indirect control over critical inputs for these businesses' primary transformation processes.

Resource-Based View

The resource-based view (RBV) allows for an analysis of the extent to which corporations engage in CSR strategically, to create sustainable competitive advantage based on tangible or intangible firm resources. The RBV was introduced by Wernerfelt (1984) and subsequently refined by Barney (1991). Wernerfelt built the theory on the basis of earlier work by Penrose (1995), which viewed corporations as bundles of heterogeneous resources and capabilities that are imperfectly mobile across them. When these resources are valuable and rare, because they are hard to imitate and are nonsubstitutable, they can be a source of sustainable competitive advantage (Barney, 1991). Hart (1995) is the first to apply RBV theory to SR, focusing on environmental responsibility, and argues that for certain corporations, environmentally responsible behavior can become a source of sustained competitive advantage. Russo and Fouts (1997) find that higher levels of environmental performance correlate with superior financial performance. McWilliams and Siegel (2001) outlay a supply-and-demand model on the workings of RBV and compare two identical firms of which one adds a social dimension to its product. A cost-benefit analysis is performed to see whether demands for SR products are larger than costs. Findings show there is an "ideal" level of SR for each firm that can be determined by using a cost-benefit analysis. McWilliams, Van Fleet and Cory (2002) demonstrate a specific case of RBV's contention that SR can create sustained competitive advantage, showing how US firms can use political strategies based on SR to raise regulatory barriers that prevent foreign competitors from using substitute technology.

Business Ethics

One of the foundational ideas in the field of business ethics is that businesses are by definition interrelated with society, and are therefore forced to deal with society's ethical demands. Business ethics draws on various moral frameworks, such as those developed by Kant and Rawls, in opposition to utilitarianism. Business ethics has a relatively long-standing focus on SR research. Joyner and Payne (2002) review the six most significant historical works that analyze corporate social responsibility (CSR) from a business ethics approach. Barnard (1938) is the first to address the significance of the role of organizations within society at large, where business decisions are made on the basis of an assessment of the economic, legal, moral, social, and physical elements of the environment. Simon (1945) advances this by pointing to the relevance for firms to adjust to the values

of consumers. Drucker (2006) reorients the perspective from ethics and moral obligations to CSR by positing public responsibility as one of the key areas for business objectives. Andrews 1987 states that strategic orientation, due to the growing important of values, ethics, and CSR, includes both an economic strategy as a strategy to support “community institutions” (p. 77). Freeman (1984) notes the growing importance of ethics as illustrated by the development of codes and the number of courses on ethics in business schools. His proposition of stakeholder management is a reconciliation of ethics, values, and SR. Windsor (2006) states that by necessity the ethical perspective on SR is diffuse and demands a case-by-case assessment of what constitutes ethical business decisions.

Environmental Approaches

The environmental dimension is a well-established aspect of SR. It contains various concepts such as triple bottom line; people, planet, profit; sustainability; and cradle to grave or cradle to cradle. SR has been studied actively from the environmental accounting and environmental economics perspectives. The economic point of view analyzes the expected value of the returns of environmental activities as well as the risks they pose to these returns (Reinhardt, 1999). Schaltegger and Figge (2000) develop the concept of environmental shareholder value that helps in the identification of the influence that environmental strategies have on shareholder value creation. Loew (2003) systematizes environmental cost concepts by combining the environmental impact and environmental costs. A comprehensive overview of monetarization methods in the environmental economics literature is provided in the study by Turner, Pearce and Bateman (1994).

6.6. Research Areas

The research on SR has heavily focused on the relationship between SR and the corporation its financial performance (CFP). Additionally, studies have researched the mechanisms that link SR and CFP. Corporate philanthropy has also been an area of focus, including empirical studies on strategic philanthropy. Other research areas have included SR standards and regulations, methodological weaknesses in the research on CSR and the link between SR and international development.

Corporate Financial Performance

Over the years SR has increasingly been understood as a strategic tool that enhances a firm’s CFP. Despite the wide popularity of researching the relationship between SR and CFP, consensus has yet to be reached owing to the contrasting findings. Bragdon and Marlin (1972) is the first study to examine the SR–CFP relationship, finding that SR positively affects CFP. Following this work, more researchers have found confirmation for this positive relationship. However, others find no relationship—or a negative relationship—between SR and CFP. Griffin and Mahon (1997) posit that

one of the causes for these contrasting outcomes is the methodological inconsistency of the various studies. Margolis, Elfenbeim and Walsh (2007) collect and analyze 167 published studies conducted over thirty-five years that empirically examined the relationship between corporate social performance (CSP) and CFP. The findings suggest that there is a positive overall association, but there is very little evidence of a negative association. The conclusion is that future research should be redirected to gain a better understanding of why firms pursue CSP, the mechanisms connecting prior CFP to subsequent CSP, and how firms manage the process of pursuing both CSP and CFP simultaneously.

Mechanisms Linking Social Responsibility and Corporate Financial Performance

Although less prevalent as the empirical studies attempting to link SR and corporate financial performance (CFP), numerous studies have researched the mechanisms that connect SR and CFP. Richardson, Welker and Hutchinson (1999) specify the mechanisms through which SR generates capital market responses. Schuler and Cording (2006) explain the role of consumer-purchasing behavior in the relation between SR and CFP. Others have argued for the mechanisms of improved reputation and consumer loyalty (Kanter, 1999), attraction of socially conscious consumers as well as good employees (Turban and Greening, 1997), increased market value (Mackey, Mackey and Barney, 2007), and in Porter and Kramer (2002), the development of new markets.

Corporate Philanthropy

Carroll (1991) conceptualizes corporate philanthropy as a specific element of SR, presenting philanthropy as the top of the ‘pyramid of corporate social responsibility’ (p. 42). Seifert, Morris and Bartkus (2003) propose that corporate philanthropy can consist of cash donations; in-kind gifts of firms’ products, services, use of facilities, or managerial expertise; and cash donations given indirectly to charities through, for example, a corporate-sponsored foundation. Both Seifert, et al. (2003) and the Aguilera, Rupp, Williams and Ganapathi (2007) focus on the drivers that are able to predict firms’ philanthropic expenditures. Logsdon and Wood (2002) and Simon (1995) both address the challenges related to the globalization of philanthropy, and the studies by Fry, Keim and Meiners (1982), Godfrey (2005) and Orlitzky, Schmidt and Rynes (2003) research the effect of philanthropic giving on financial performance.

Empirical Studies on Strategic Philanthropy

There are only a few studies that seek to support the theoretical trend of strategic philanthropy with empirical evidence. These include studies on the evaluation practices of nineteen firms in Orange County, California, in Tokarski (1999); 180 industrial and consumer firms in the United Kingdom in Carrigan (1997); the management of charitable giving of large UK firms in Brammer, Millington,

Pavelin (2006); and the strategic philanthropic behaviors of firms in the *Dow Jones Sustainability Index* by Maas and Liket (2011).

Standards and Regulations

The rapid institutionalization of the global trend of SR is illustrated by the numerous standards and regulations that have emerged. These include management standards such as AA1000, reporting standards such as the *Global Reporting Initiative*, and voluntary agreements such as the *UN Global Compact* and the *International Labour Organization Decent Work Agenda*. These standards and regulations have been enforced by the embrace of SR by numerous global institutes such as the *United Nations*, *World Bank*, *Organisation for Economic Co-operation and Development*, and the *International Labour Organization*. Gray (2000) provides an overview of the developments and trends in auditing and reporting.

Methodological Weaknesses

Despite decades of attention to SR in both theoretical and empirical studies, there is still a lack of consensus on the concept of SR. For example, the concept has alternatively been defined in terms of corporate philanthropy, ethical business behavior, or corporate environmental performance. Ullmann (1985) argues that the lack of definitional clarity has hampered comparability and compatibility across studies, which in turn causes methodological difficulties. Consequently, numerous studies have critiqued the methodologies used in studying SR. McWilliams, Siegel and Teoh (1999) point to the unreliability of the use of the event-study methodology to measure the consequences of SR, and caution for the use of stock price as a proxy for financial performance, as performance regards the organizational level whereas corporate social responsibility activities often occur at plant or product level. In a later study, McWilliams and Siegel (2000) challenge the regression model that has often been used to assess the SR–CFP relationship. Because SR is, according to Rowley and Berman (2000), not a viable theoretical or empirical construct, the use of more specifically defined operational concepts of SR to control for the wide variation in operational settings that hamper comparability is suggested. In a recent meta-analysis of the SR literature, Aguinis and Glavas (2012) argue that one of the dominant causes for the methodological weaknesses in SR research is a lack of integration and synthesis of the diverse literature that is characterized both by multidisciplinary and multiple levels of analysis. This results in a highly fragmented body of literature with a substantial micro- and macro-divide, the neglect of alternative theoretical frameworks, and a lack of attention for the importance of mediators and moderators that influence the extent to which SR leads to specific outcomes.

Corporate Social Responsibility and Development

Many SR efforts, especially philanthropic efforts, have been directed at the developing world. The perspective of SR and development as a win-win situation became more deeply embedded with the concept of “the Bottom of the Pyramid” introduced by Prahalad (2010). A critical review of this trend in Halme, Roome and Dobers (2009), observes that despite the lack of rigorous evidence of the effects of SR on both business and society, “trust is placed” in SR as “an ideology and as an instrument for contributing to the resolution of many global and environmental ills” (p. 1). There is a warning concerning the limited effects short-time single-cause efforts companies typically undertake can have on development, as development is by definition a long-term process. Banerjee (2007) is a warning that, due to asymmetry of information, corporations engaging in SR might self-present as striving for societal goals at the same time the entities are actually fulfilling private ones. Moreover, there is the argument that SR “does not challenge,” but reinforces, corporate power (Banerjee, 2007, p. 147). This view aligns with the critical perspective presented by Halme, et al. (2009) that SR in the development context changes the relations between corporations, consumers, the government, and nongovernmental organizations in society. This embrace of the corporate solution for societal problems may divert attention from a broader political, economical, or societal view. Jamali and Mirshak (2007) point out that exploitation by corporations is even more likely to take place in the developing-country context, because in developing countries, civil society is too unorganized to provide powerful watchdogs or a critical media. Blowfield and Frynas (2005) make the argument that SR activities risk creating dependency circles instead of promoting empowerment. Stigzelius and Mark-Herbert (2009) agree with this argument and illustrates it in a powerful case study by showing that due to the adoption of the newly established labor standard SA8000, suppliers face increasingly complex requirements that are often contradictory to workplace safety, and restrict overtime and wages that ensure a sufficient standard of living.

6.7. Conclusion

It is important to recognize that in addition to being a scholarly field of work, SR is also a field of practice. The societal issue of SR has spawned a veritable industry of dedicated consultancy businesses, social audit firms, social investment funds, social rating agencies, social communication advisory services, and the like. These practitioners have also had a major agenda-setting influence on the scholarly community, which over the years has become more concerned with providing evidence of the “business case” for SR, and with researching the aforementioned SR practice institutions. These practice applications have thus led to several interesting extensions of the scholarly SR literature. In contrast to the influence of practice on the research about SR, very little research has been devoted to

increasing our understanding of the process through which SR has become such a widespread phenomena. Although there is some research into the motivations of corporations to engage in SR, this research often only focuses on a single time period and therefore does not contribute to gaining a more complete understanding of the institutionalization process. Moreover, research on motivations of companies to engage in SR is often posited as an independent variable to explain the variation in gains in business performance that SR might bring.

Overall, the research on SR is mostly characterized by its lack of attention for the second element that belongs to most of its conceptualizations: the outcomes of SR for society. Although some researchers have discussed the social outcomes in relation to the concept of corporate social performance, such as Wood (1991; 2010) and Seifert, Husted and Biehl (2012), our understanding of the effect of SR on society is extremely limited.

Chapter 7

Battling the Devolution in the Research on Corporate Philanthropy¹⁶

Abstract

The conceptual literature increasingly portrays corporate philanthropy as an old-fashioned and ineffective operationalization of a firm's corporate social responsibility. In contrast, empirical research indicates that corporations of all sizes, and both in developed and emerging economies, actively practice corporate philanthropy. This disadvantaged status of the concept, and research, on corporate philanthropy, complicates the advancement of our knowledge about the topic. In a systematic review of the literature containing 122 journal articles on corporate philanthropy, we show that this business practice is loaded with unique characteristics, strengths, and weaknesses, and both conceptual and practical challenges that require renewed attention. We identify six interrelated but distinctive research themes in the literature: concept, motives, determinants, practices, business outcomes, and social outcomes. Dividing the literature on corporate philanthropy into six research themes creates an insightful comprehensive map of this intellectual terrain. Moreover, we distinguish among the level at which CP is analyzed: individual, organizational, institutional, or any combination of these levels. The review reveals significant gaps in the knowledge on corporate philanthropy. Most importantly we find that the conceptualization is limited, the research is mostly quantitative, the effects of corporate philanthropy on society are severely under-researched, and there is a lack of multilevel analyses. A detailed future research agenda is offered, including specific suggestions for research designs and measurements.

¹⁶ This chapter is based upon:

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7.1. Introduction

While in the literature, Corporate philanthropy (CP) is increasingly conceptualized as an old-fashioned and ineffective way to fulfill a company's social responsibility, with an estimated 20 billion dollars of giving in 2011 by 214 companies in the US (Corporate Giving Survey [CGS]; Giving in Numbers 2011), CP is alive and well (Halme and Laurila, 2009). CP can involve donating money, products or services, as well as volunteering (Austin, 2000b; L. Campbell, et al., 1999; 2006; Wymer and Samu, 2003). In this paper CP is understood as it was defined by Madden, et al. (2006, p. 49, italics in the original) "the voluntary business giving of money, time or in-kind goods, without any *direct* commercial benefit, to one or more organizations whose core purpose is to benefit the community's welfare." As Aguinis and Glavas (2012) pointed out, despite the focus of conceptualizations of CP on the organizational level, it is important to recognize that this organizational behavior is influenced and implemented by actors at all levels of analysis, including the institutional and individual levels.

There is a substantial body of literature on CP. Numerous studies have employed historical analyses. For example, Wulfson (2001) studied how firms' philanthropic practices have changed over time to meet their social responsibilities. Sharfman (1994) used institutional theory to review how philanthropy has evolved from an illegal activity to a social expectation. Bowen, et al. (2010) conducted a systematic review on the antecedents and consequences of community engagement strategies of firms, in which they conceptualized philanthropy to be one option of the broader range of community engagement actions. A more recent theme in the literature has been the increasingly strategic character of CP, popularly referred to as "strategic philanthropy" (e.g., Maas and Liket, 2011; Porter and Kramer, 2002; Saiia, et al., 2003; Windsor, 2006; Wirgau, et al., 2010).

A number of studies have researched the moral basis for CP, including the relationship between self-interest and utilitarianism (Shaw and Post, 1993); Kantian imperfect duties (Ohreen and Petry, 2012); ethical responsibility theory (Windsor, 2006); virtuousness, human impact, and moral goodness (Fernando, 2010); marketing of good corporate conduct (Stoll, 2002); the role of intent in philanthropic decision making (Wulfson, 2001); moral capital (Godfrey, 2005); and genuineness in raising this moral capital (Bright, 2006). In the business and society literature, normative perspectives on CP have included the motivations for CP in its conceptualization. For example, many definitions emphasized the altruistic character of CP, referring to the uniform objective of CP to advance social welfare, and explicitly stating that CP does not involve conditions or expectations of benefits of the firm (Galaskiewicz and Colman, 2006). This altruistic interpretation of CP has been counterbalanced by an explicit emphasis on the instrumental benefits of CP to the firm in the "strategic philanthropy"

literature (Halme and Laurila, 2009; Maas and Liket, 2011; Porter and Kramer, 2002). Often, this literature on strategic philanthropy is equally normative. It sets itself apart from the altruistic interpretation of CP by emphasizing the superiority of practicing CP strategically with an explicit objective of gains in reputation, legitimacy, and, eventually, profits. Consequently, it argues that this strategic approach results in an increased ability of CP to effectively enhance social welfare (Halme and Laurila, 2009; Porter and Kramer, 2002).

Moreover, CP is often related to the more modern concept of Corporate social responsibility (CSR). This relationship takes a number of forms in the literature. For example, one of the most widely used CSR conceptualizations, proposed by Carroll (1979), positioned philanthropy as the top of the CSR pyramid. Alternatively, Wood (1991) created a model of Corporate Social Performance (CSP), where action on CSP principles creates outcomes in the various domains of the economic, legal, ethical, and discretionary. She understood CP as a discretionary activity. Then, at the institutional level, CP can be practiced through returning value to society; at the organizational level, by choosing causes strategically; and at the individual level by paying attention to effectiveness. Despite the strong rhetoric of these often rather unbalanced accounts of CP, the empirics employed by these scholars are predominantly anecdotal (Maas and Liket, 2011). The autonomy of the field of theorizing of CP is at risk due to this relation to the concepts of the firm's social responsibility, including CSR, CSP, Corporate Community Involvement (CCI), and Shared Value. Both the business and society literature, and the management literature often present CP as a minor element of these broader concepts, or present CP as an outdated and ineffective approach to managing the firm's relationship to society.

Despite decades of research, scholars and managers are still struggling with the concept of CP (Dennis, et al., 2009; Love and Higgins, 2007). Philanthropy is an essentially contested concept that is surrounded by conceptual ambiguity (Daly, 2012). When firms practice philanthropy, the lack of clarity on the motivations, objectives, types, and outcomes of CP add to this conceptual ambiguity. As Windsor (2006, p. 94) put it, the contestable nature of CP "reflects the vital circumstance, affecting management and scholarship, that the concept confronts difficult balances between private conduct and public policy, and between economics and ethics." For instance, CP can be perceived as a type of cross-sector partnership between the corporation and a nonprofit organization (Austin, 2000a, 2000b). In contrast, the notion of "strategic philanthropy" focuses on the instrumental benefits of CP to the firm (Dennis, et al., 2009; Hamann, 2004). This relationship is often indirect via the improvement in the reputation of the firm due to its CP, which functions as an insurance against adverse events or improves its attractiveness as an employer.

As Smith (1994) and other scholars have pointed out, the literature on CP is scattered over different fields and journals (e.g., Young and Burlingame, 1996). While this interdisciplinary nature is not per se a problem, in the case of the research on CP, this has resulted in a rather loose field of theorizing. However, Love and Higgins (2007, p. 18) are relieved to have been justified when asking “how much do we really know about the intentions of those giving and the consequences of philanthropy for both the donor and the recipient?” Because of its rich history and tradition (Heald, 1970; Saiia, et al., 2003; Sharfman, 1994; Wulfson, 2001), its ambivalent relationship to the bottom line of the firm, and the unique moral and ethical dilemmas that surround it (Dennis, et al., 2009), furthering our knowledge on CP requires it to be positioned as an autonomous field of theorizing. Moreover, its sheer scale indicates the necessity to further our understanding of CP. The uniqueness of the legal and moral underpinnings of CP, the difference in its strengths and weaknesses as well as the principles, processes, and outcomes with which it is governed – as compared to other activities that address the firm’s social responsibility – demonstrate the need for a singular focus on CP (Godfrey and Hatch, 2007; Saiia, et al., 2003; Wood, 1991).

In response, a comprehensive revision is provided that presents a compelling map of the intellectual terrain of CP. By systematically reviewing the literature (Tranfield, et al., 2003), this paper is a first attempt to take stock and provide a foundation for progress in this field. The unique contribution of this review lies in its depth. Based on the research questions explored in the 122 papers, six research themes are derived that help in segmenting the literature into domains of research on CP. Each of these themes was explored on the basis of three levels of analysis: individual, organizational, and institutional, as well as any combination of these. This review takes stock of much of the literature covering CP, while providing the bases for a detailed future research agenda that includes specific suggestions for research designs and measurements.

7.2. Methodology

A systematic literature review is conducted to gain a thorough understanding of the main research themes published on CP to date (please see appendix A for a detailed description of the research steps and procedures). This method is a structured and systematic approach to search and analyze the literature on a specific topic, and aims to increase methodological rigor and reliable knowledge (Tranfield, et al., 2003). Originating from the medical sciences (e.g., Bero and Rennie, 1995; Chalmers, 1993), other disciplines from the social sciences arena have applied this method (e.g., Kofinas and Saur-Amaral, 2008; Tranfield, et al., 2003). For example, Bekkers and Wiepking (2010) systematically reviewed the literature on mechanisms for philanthropic giving.

In the first step, 85 journal articles were retrieved, including both conceptual (20) and empirical (65) papers, using quantitative (54), qualitative (7), or mixed (4) methods. In the second step 38 articles from non-top journals were added to the initial sample, resulting in a total of 122 journal articles (table 7-1).

Table 7-1 Summary of literature included in the review: journal x approach

JOURNALS	APPROACH				Total
	Conceptual	Empirical			
		Mixed-methods	Qualitative	Quantitative	
<i>Academy of Management Journal</i>	0	0	0	3	3
<i>Academy of Management Review</i>	4	0	0	0	4
<i>Administrative Science Quarterly</i>	0	0	0	2	2
<i>Business and Society</i>	1	0	1	8	10
<i>Journal of Business Ethics</i>	13	3	4	31	51
<i>Journal of the Academy of Marketing Science</i>	0	0	0	1	1
<i>Journal of Management Studies</i>	1	0	0	1	2
<i>Journal of Marketing</i>	0	0	0	1	1
<i>Nonprofit and Voluntary Sector Quarterly</i>	1	1	1	2	5
<i>Organization Science</i>	0	0	0	1	1
<i>Strategic Management Journal</i>	0	0	0	3	3
<i>Voluntas</i>	0	0	1	0	1
<i>Other, non-top journals</i>	0	0	38	0	38
	20	102	45	53	122

Note: "Other, non-top journals" includes the results from the second stage of the systematic literature review where only papers using qualitative research methods were considered (please refer to Appendix A).

Based on the research questions of each paper, six broad research themes are identified; according to which the papers mainly published in the last two decades are classified (table 7-2). Some papers addressed more than one research theme. Moreover, the level of analysis at which the themes were researched is identified (table 7-3). It is important to note that in many of the articles that were included in our search, CP was discussed in relation to the concept of CSR. In the cases where CP was positioned as an operationalization of CSR, the study was included in our sample, and in our reporting the focus is on those findings that were most relevant in furthering the knowledge of CP. However, in some cases, CP was only mentioned in the abstract of the study to illustrate that the study would not focus on CP-related aspects of CSR. In those cases, the studies were excluded from our sample.

Table 7-2 Summary of literature included in the review: Research theme x years of publication

RESEARCH THEMES	YEARS OF PUBLICATION				
	Before 1973	1973-1982	1983-1992	1993-2002	2003-2012
<i>Concept</i>	0	2	5	2	10
<i>Motives</i>	0	1	1	3	12
<i>Determinants</i>	0	1	1	9	18
<i>Practices</i>	0	0	2	4	26
<i>Outcomes (Business)</i>	0	0	3	3	28
<i>Outcomes (Society)</i>	0	0	0	3	8
	0	4	12	24	102

Note: some papers have multiple research themes, so this table sums more than 122 papers.

Table 7-3 Summary of literature included in the review: Research theme x level of analysis

RESEARCH THEMES	LEVELS OF ANALYSIS			
	Indiv.	Org.	Instit.	Multilevel (any combination)
<i>Concept</i>	6	4	9	3
<i>Motives</i>	7	15	6	9
<i>Determinants</i>	10	16	11	8
<i>Practices</i>	8	29	5	8
<i>Outcomes (Business)</i>	5	26	2	2
<i>Outcomes (Society)</i>	1	9	8	6
	37	99	41	36
% of papers	30%	81%	34%	30%

Note: some papers have multiple research themes, and the multilevel column replicates the other columns so this table sums more than 122 papers.

Based on the combination of both literature searches, the state of knowledge about CP is discussed in the first part of this paper. The total sample thus comprises of 122 journal articles.

7.3. What is the State of Our Knowledge about Corporate Philanthropy?

In order to get a comprehensive map of the research on CP, the papers were clustered into six research themes on the basis of the main research questions: concept, motives, determinants, practices, outcomes (business), and outcomes (society). Moreover, each set of research findings that responds to these research questions is classified according to its level of analysis: individual, multilevel individual and organizational, organizational, multilevel organizational and institutional, institutional or multilevel individual, organizational, and institutional. Not all of the findings will be described in detail in the text. However, the tables 7-4A-4F provide an overview, and these function as highly accessible and comprehensive maps of the knowledge on CP.

Two things are important to note here. First, regarding the research themes, it is important to understand that, although these themes are helpful in clustering the knowledge on CP, the themes are interrelated and do not always have clear conceptual boundaries. For example, some papers are clustered into the theme “concepts” because they question what CP fundamentally is and which theories best explain it. In doing so, they touch upon the moral and instrumental aspects of the motivations of CP. However, when the focus of the paper is on the motivations of specific (types of) companies, or managers within those companies, they are classified within the theme “motives” as they further our understanding of the motivations for CP in a more concrete way. It is helpful to view the themes as a continuum, running from a high level of abstraction (concept) to very pragmatic implementations and outcomes of CP. The overlaps mostly exist between the parallel themes on this continuum (e.g., motives and determinants).

Second, the same issue of interrelation and overlap exists in classifying the research findings into the levels of analyses. Findings were clustered at the individual level of analysis when they were based on research about decision-making processes, preferences, or actions of individuals. Findings about the organization as an entity were clustered at the organizational level of analysis. Less straightforward was the clustering of findings into the institutional level of analysis. This category includes findings that were abstract, and focused on the concept or theories of CP, without referring to organizational characteristics or managers within the company. Findings that concerned society, or specific effects of industries or nations, were also considered institutional.

7.3.1. The Concept of Corporate Philanthropy

The first theme, “concept”, includes research questions that explicitly address the concept of CP. Some of these papers conducted historical analyses (e.g., Sharfman, 1994), whereas others discussed the variety of theoretical perspectives on CP (e.g., Windsor, 2006) or developed typologies (e.g., Kourula and Halme, 2008). The results are clustered according to the level of analysis at which the research is conducted.

Table 7-4A Research theme: Concept - level of analysis x key ideas

Research Theme: Concept	
LEVEL OF ANALYSIS *	KEY IDEAS
<i>Individual</i>	<p>CP perceived as an important element of CSR (Ahmad, 2006; Sheth and Babiak, 2010)</p> <p>Decoupling of CSR and CP as a prerequisites to perceive CSR as authentic (O'Connor, et al., 2008)</p> <p>CP perceived as a strategic alliance with interdependent relationships when approached strategically (Rumsey and White, 2009)</p> <p>Individual managers' motivations influence how CSR (incl. CP) is demonstrated (Windsor, 2006)</p> <p>Urgence of including the micro-level decision making processes of managers who practice CSR (incl. CP) (Godfrey and Hatch, 2007)</p>
<i>Organizational</i>	<p>CP as one of the three action-types of CSR (besides innovation and integration) (Kourula and Halme, 2008)</p> <p>Interplay between organizational actions have shaped institutional level forces that influenced the changing status of CP- from illegal to an expected behavior (Sharfman, 1994)</p>
<i>Institutional</i>	<p>Constraints in the business environment have changed perspective on firms' activities to meet their social responsibility (Keim, 1978)</p> <p>Faulty reasoning on the moral status of profit as a motivation in CP and CSR (Godfrey, 2006)</p> <p>A 'thinner' approach to CSR or practicing CSR at the transactional level (Palazzo and Richter, 2005)</p> <p>CSR in Lebanon is often still based in the context of philanthropy (Jamali and Mirshak, 2007)</p> <p>Strategic philanthropy as a mix between benevolent and instrumental motives (Epstein, 1989)</p> <p>CP should consider corporation's duties and obligations on the basis of its moral intent (Wulfson, 2001)</p> <p>Changing status of CP- from illegal to an expected behavior- influenced by institutional level forces (Sharfman, 1994)</p> <p>A theory of CSR – CP as a CSR behavior – requires room for morals (Windsor, 2006)</p>

* The table presents examples of papers that address each level of analysis, irrespective of the fact that they may address multiple levels.

Individual

The research on the concept of CP at the individual level of analysis is limited. In our sample only four studies have focused on the perceptions of individuals on CP. Ahmad (2006) explored perceptions of CSR in the context of developing economies by studying the case of Pakistan. He found that CP, complemented by employee welfare, were the central conceptualizations of CSR in that context. Sheth and Babiak (2010) found that executive sports managers conceptualized CP as an element of their CSR, in combination with an emphasis on the local community, partnerships, and ethical concerns. O'Connor, et al. (2008) empirically investigated what meaning and attributes stakeholders ascribe to CSR. They surveyed active mothers, and found a number of prerequisites necessary for this group of stakeholders to perceive CSR as authentic, including a decoupling of CSR and CP. Finally, Rumsey and White (2009) researched how nonprofit managers perceived the benefits and motives of CP. They found that the perceived motives for firms to practice CP are plural, blending

altruism and self-interest. Moreover, they found that when the firm approached CP strategically, it was more often perceived as a strategic alliance where the relationships were viewed as interdependent.

Organizational

At the organizational level of analysis, Kourula and Halme (2008) studied CP in the broader context of CSR, where they conceptualized CP as one of the three action-types of CSR next to innovation and integration.

Institutional

As expected, most studies have researched CP at the institutional level of analysis. These studies can be divided into those that are conceptual and focus on the position of the concept of CP in the literature, on the one hand, and studies that investigate the concept of CP by analyzing the relationship between businesses and society, on the other. Keim (1978) studied the changing perspective on firms' activities to meet their social responsibility by comparing the rhetoric of the two opposing camps of "economists," and more modern business and society scholars. He concluded that the difference between these views is largely semantic, as behavioral evidence of CP showed that it is mostly the constraints in the business environment that change instead of the goals of these businesses. Godfrey (2006) added to this by pointing to the faulty reasoning in the business and society literature on the moral status of profit as a motivation in CP and CSR. Palazzo and Richter (2005) used the differentiation in the leadership literature between transactional and transformation leadership to analyze the possibilities for tobacco companies to practice CSR. They argued that many CSR practices, including CP, are ineffective for tobacco companies. They concluded that it is most advantageous for tobacco companies to practice CSR at the transactional level, which results in what they refer to as a "thinner" approach to CSR (Palazzo and Richter, 2005). Jamali and Mirshak (2007) attempted to synthesize the two most widely used CSR conceptualizations proposed by (Carroll, 1979) and Wood (1991). However, in contrast to the subordinate role of CP in their conceptualization of CSR, their empirical findings studying the practice of CSR in Lebanon led them to conclude that CSR is often "still grounded in the context of philanthropic action" (Jamali and Mirshak, 2007, p. 243).

In the second set of studies on the concept of CP at the institutional level, two studies by Epstein (1989) and Wulfson (2001) researched CP as a way in which businesses approach their relationship with society. First, Epstein (1989) studied the changing perspectives on businesses roles in society, and proposed that strategic philanthropy is an example of the explicit mix between benevolent and

instrumental motives. Second, Wulfson (2001) discussed the ethical considerations of CP, and concluded that decisions about CP should not solely be based on a utilitarian cost-benefit calculation. Instead, this instrumental view of CP should be complemented by a corporation's consideration of its duties and obligations on the basis of its moral intent (Wulfson, 2001).

Multilevel – Organizational and Institutional

In his study on the evolution of CP, Sharfman (1994) combined the organizational and institutional levels of analysis to show how the status of CP has changed from an illegal action to an expected behavior in a relatively short period of time. Besides discussing the influence of institutional level forces on this changing status of CP, he emphasized how the interplay between the actions of specific organizations has shaped the institutional forces that have contributed to this change.

Multilevel – Individual, Organizational, and Institutional

Two more recent studies on the concept of CP have taken a multilevel perspective combining the individual, organizational, and institutional levels of analysis to gain insight into CP. First, Windsor (2006) conducted a conceptual comparative study of the three competing perspectives on CSR: economic, ethical, and idealized citizenship, and instrumental citizenship. He argued that a theory of CSR – where he used CP as a concrete example of a CSR behavior – requires room for morals and ethics as CSR is a principle and not a rule, the manifestation of which is in the end decided upon by the weight individual managers put on competing motivations in their decision-making processes. In similar vein, Godfrey and Hatch (2007) pointed to the importance of including the micro-level decision making processes of managers who practice CSR in general and CP in particular.

Summary

The literature on the concept of CP can be summarized in three main conclusions. First, it is necessary to expand our theories and conceptualizations of CP, as none of the current perspectives – including the economic, ethical, and idealized and instrumental lenses – provide sufficient understanding of the contested concept of CP. Second, to further our understanding of CP, we need to approach the concept with greater autonomy. Although it can be helpful to study CP in relation to other forms of social responsibility, it is currently drowning in the wake of the popularity of the much broader concept of CSR. Here, CP is simply treated as one form or action-type of CSR. However, as this review demonstrates, the concept of CP is far from well established. Moreover, as indicated by both the conceptual studies that do focus exclusively on CP, and the empirical studies that find that individuals and organizations frequently conceptualize CSR as CP, the concept of CP deserves specific attention. Finally, to further our understanding of CP, it is most useful to conduct multilevel analyses, regardless

of whether the research is of a conceptual or empirical nature. Fortunately, there has been some promising work that has taken a multilevel perspective on CP, and this recognizes that in practice the concept of CP is ultimately shaped by forces at the institutional, organizational, and individual level.

7.3.2. The Motives for Corporate Philanthropy

The “motives” theme includes studies that did not ask what CP fundamentally is but, rather, what motivates (individual) companies to engage in it. Therefore, it is less abstract, but mostly includes empirical papers that either directly inquired into the motivations of senior managers, or studies that have found innovative ways to distill from proxies what has motivated companies to practice CP. Occasionally, however, insight into the motives for CP has been used to gain insight into the concept of CP. Also, it is important to clearly distinguish this research theme of “motives” from the research theme of “determinants.” In contrast to the focus in this research theme on altruistic, strategic, or other motivations for engaging in CP, studies based on the determinants theme focus on identifying enabling or barricading variables to engaging in CP.

Table 7-4B Research theme: Motives - level of analysis x key ideas

Research theme: Motives	
LEVEL OF ANALYSIS *	KEY IDEAS
<i>Individual</i>	Instrumental benefits perceived by CEOs (File and Prince, 1998)
	Values of integrity and benevolence of top managers (Choi and Wang, 2007)
	'Intra-organizational' employee volunteering programs benefit employees (Peloza and Hassay, 2006)
	Genuineness of the motives to engage in CP as perceived by the top management (Fernando, 2007)
	CEOs self-identified as philanthropists as a significant predictor of CP (Dennis, et al., 2009)
	Tri-partite division of theoretical motives of legitimacy, profitability and sustainability (Bronn and Vidaver-Cohen, 2009)
	Self-interest and utilitarianism motives are not in opposition to one another (Shaw and Post, 1993)
<i>Organizational</i>	Marginal alterations in advertising expenditures (Fry, et al., 1982)
	Extent of public contact (Fry, et al., 1982)
	Changes in other business expenses usually considered to be profit-motivated (Fry, et al., 1982)
	Positive branding and legitimacy (Moir and Taffler, 2004)
	Limited altruistic motivations (Marx, 1999; Moir and Taffler, 2004; Noble, et al., 2008)
	Balance between strategic and altruistic motivations (Gan, 2006)
	Desire to contribute to local causes and CP as a duty (Madden, et al., 2006)
	'Intra-organizational' employee volunteering programs benefit the firm (Peloza and Hassay, 2006)
	Mixture of altruistic and politically strategic motives (Sanchez, 2000)
	The risk of paternalism in CP (Spence and Thomson, 2009)
<i>Institutional</i>	Moral duties of companies to use their resources to support nonprofit organizations (Ohreen and Petry, 2012)
	Tri-partite division of theoretical motives of legitimacy, profitability and sustainability (Bronn and Vidaver-Cohen, 2009)
	Duty-based obligations on the basis of a moral concept of benevolence and good corporate citizenship (Ohreen and Petry, 2012)
	Legal and fiscal background for company giving (Cowton, 1987)
	Differences between the mixtures of motives for different industries (Bronn and Vidaver-Cohen, 2009)
Individual corporate manager as members of the community that often benefits from the CP (Shaw and Post, 1993)	

* The table presents examples of papers that address each level of analysis, irrespective of the fact that they may address multiple levels.

Individual

The motives of managers and CEOs who engage in CP are, ultimately, empirical matters that can only be researched at the individual level. Only two studies have taken such an approach. First, File and Prince (1998) found that the CEOs of privately held medium-sized businesses often (40%) engaged in CP because of its instrumental benefits (e.g., cause-related marketing). Second, Choi and Wang (2007) also focused on the individual manager so as to gain insight into the motivations for CP, although in contrast to the research by File and Prince (1998), their work is of a conceptual nature. They argued that it was not very useful to split the motivations of top managers between altruism and instrumentalism. This is because both CP and Corporate Financial Performance (CFP) can be better

viewed as being a result of the values of integrity and benevolence on the part of these top managers (Choi and Wang, 2007).

Multilevel – Individual and Organizational

Three papers that focused on the motivations behind engagement in CP combined the organizational and individual levels of analysis. Pelozo and Hassay (2006) focused on the individual and organizational levels of analysis by researching what they refer to as “intra-organizational” employee voluntarism where the organization selects a charity and demonstrates proactive involvement in the development of volunteer opportunities for its employees. They found these intra-organizational employee volunteering programs benefitted the firm, the charity, and the employees. Fernando studied the 2004 Tsunami in Sri Lanka as an adverse event that affected the entire community of two multinational companies with branches in the country (Fernando, 2007). He compared the cases of these two companies in terms of the extent to which the motives to engage in CP were genuine, as perceived by the top management. Finally, Dennis, et al. (2009) made the integration of organizational and individual level motivations to engage in CP practical by applying Ajzen’s theory of planned behavior. In an empirical survey, they found that only the extent to which the CEO identified himself as a philanthropist was a significant predictor of a firm’s corporate philanthropy.

Organizational

At the organizational level, a large empirical study in the 1980s by Fry, et al. (1982), on the motives of why companies engage in CP, found supportive evidence for the presence of instrumental motivations. This study found significant linkages between marginal alterations in advertising expenditures and CP; between the extent of public contact, advertising, and CP; and between changes in CP and changes in other business expenses usually considered to be profit-motivated. Similarly, Moir and Taffler (2004) concluded that, of 60 organizations with CP programs, and all designed to support the arts, only one could possibly be motivated by pure altruism rather than the motivations of positive branding and legitimacy.

These findings are supported by the work of both Marx (1999) and Noble, et al. (2008), who found, in a study on the CP programs of Australian firms, that altruistic motivations were only marginally represented. When researching the extent to which companies’ vulnerability to public scrutiny motivated their CP, Gan’s (2006) findings presented a more balanced picture of strategic and altruistic motivations. In contrast to the general focus on large firms in CP research, Madden, et al. (2006) studied the motives of Australian small and medium enterprises (SMEs) when engaging in CP. They found a strong desire on the part of these SMEs to contribute to local causes, and CP was mostly viewed as a duty.

Multilevel – Organizational and Institutional

Studies that take a multilevel perspective on the motives for CP, combining both the organizational and institutional level of analysis, can be divided into two types. The first type researches organizational level motivations but, as in the study by Cowton (1987) that researched the effect of the adjustments in the tax system in the UK on CP motives of companies, combines this with an attention for institutional preconditions for those motivations. The second type combines the motivations to engage in CP at the organizational level with a focus on the relationship between business and society. For example, Sanchez (2000) and Spence and Thomson (2009) discussed the risk of paternalism in CP. Focusing on Salvadoran companies, Sanchez (2000) found a mixture of altruistic and politically strategic motives, which reflected both individualistic and paternalistic attitudes. Spence and Thomson (2009) looked at the reporting practices of companies, and also discussed this risk of paternalism in CP in their study. The decoupling between CP and the strategy of the firm, for example, through employee volunteering programs for causes that are selected on the basis of no clear decision rule and are unrelated to the core business, is used by Spence and Thomson (2009) as an example of this paternalism. Ohreen and Petry (2012) studied the moral duties of companies to use their resources to support nonprofit organizations. They argued that firms have duty-based obligations to aid in the funding of nonprofit organizations on the basis of a moral concept of benevolence and good corporate citizenship.

Multilevel – Individual, Organizational, and Institutional

Taking a multilevel perspective Bronn and Vidaver-Cohen (2009) employed a large survey researching over 500 Norwegian companies, and found strong support for the tri-partite division of theoretical motives of legitimacy, profitability, and sustainability. Moreover, their empirical analysis revealed differences between the mixtures of motives for different industries (Bronn and Vidaver-Cohen, 2009). In their conceptual paper, Shaw and Post (1993) discussed CP in the context of the restructured relationships that modern publicly traded corporations have to the state and society. They argued that in many instances at the individual level, self-interest and utilitarianism are not in opposition to one another. This is because the individual corporate manager is also a member of the community that often benefits from the companies' philanthropic programs.

Summary

Studying what we know about the motivations for CP, four central conclusions can be reached. First, where conceptual papers are more normative in their conclusions on which motivations should prevail, empirical studies portray a more nuanced picture. Second, motives seem to be highly

contextual, both at the institutional (e.g., national regulatory systems such as tax laws), organizational (e.g., industries or organizational size), and individual level (e.g., individual characteristics of managers). Third, although the topic of motives is very much alive in the CP literature, most studies seem to fail to make a clear argument about why understanding these motivations is crucial to the study of CP. For example, one could argue that uncovering whether motivations are altruistic or strategic is important for positioning CP in the strategic management literature versus the business ethics or wider philanthropic literature. Alternatively, insight into motivations could influence the risks that both firms and society face from the outcomes of CP – such as paternalism and particularism in the instance of altruistically motivated CP, or the strengthening of corporatism in societies through window-dressing in the instance of strategically motivated CP.

7.3.3. The Determinants of Corporate Philanthropy

The “determinants” research theme includes studies that researched enabling or barricading variables for engagement in CP at the individual (e.g., percentage of women), organizational (e.g., firm size), and institutional (e.g., industry) level of analysis. Although the studies based on this determinants theme are different from the studies in the motives theme, because they do not center on motives such as altruism or instrumentalism, some of these studies do use the identified determinants to distill insights about motivations and generally to further our understanding of the concept of CP.

Table 7-4C Research theme: Determinants - level of analysis x key ideas

Research theme: Determinants	
LEVEL OF ANALYSIS *	KEY IDEAS
<i>Individual</i>	Percentage of stocks held by insiders (J. Wang and Coffey, 1992)
	Effect of women in boards (J. Wang and Coffey, 1992; Williams, 2003)
	Preferences of CEOs (Lerner and Fryxell, 1994)
	Participation of CEOs in different nonprofit organizations (Werbel and Carter, 2002)
	Managerial control (Coffey and Wang, 1998)
	Leaders' support CP when there is a clear business case for it (Lindorff and Peck, 2010)
	Influence of top management (Buchholtz, et al., 1999; L. Campbell, et al., 1999; Dunn, 2004; Hsieh, 2004)
	Ownership type (Thompson and Hood, 1993; Zhang, et al., 2010a); <i>no relationship</i> (Adams and Hardwick, 1998)
	Profitability as mediator between connection to catastrophic event and CP (Crampton and Patten, 2008)
	Stockholders and institutional owners limiting CP (Bartkus, et al., 2002)
<i>Organizational</i>	No evidence for a positive relationship between CP and mutual status (D. Campbell and Slack, 2007b)
	Company size (Adams and Hardwick, 1998; Amato and Amato, 2007, 2012; Burke, et al., 1986; Udayasankar, 2008; Zhang, et al., 2010a; Zhang, et al., 2010b)
	Profitability and cash resource available (Zhang, et al., 2010a; Zhang, et al., 2010b)
	No effect of firms' business cycle (Amato and Amato, 2012)
	Negative leverage effect (Adams and Hardwick, 1998; Zhang, et al., 2010a; Zhang, et al., 2010b)
	Firm resources (Buchholtz, et al., 1999; L. Campbell, et al., 1999; Dunn, 2004)
	Advertising intensity (Zhang, et al., 2010b)
	Reasons <i>not to give</i> : firm resources and lack of human resources (L. Campbell, et al., 1999; Dunn, 2004; Hsieh, 2004)
	CP reflect corporate values (Genest, 2005)
	Effect of state regulations (Hamann, 2004)
<i>Institutional</i>	Chinese international retailers rely more heavily on CP to fulfill their social responsibilities than foreign retailers do (Kolk, et al., 2010)
	Regional patterns of CP across natural disasters (Muller and Whiteman, 2009)
	Effects of state policies (Guthrie and McQuarrie, 2008)
	Isomorphic pressures at the community level (Bednall, et al., 2001; Marquis, et al., 2007)
	Effect of advertising intensity, especially in more competitive industries (Zhang, et al., 2010b)
	Influence of national culture from the headquarters on CSR (Kampf, 2007)
	Industry effects (Amato and Amato, 2007)
	Global companies practicing international CP as part of CSR (Genest, 2005)

* The table presents examples of papers that address each level of analysis, irrespective of the fact that they may address multiple levels.

Individual

The papers that researched determinants of CP at the individual level either focused on aspects of board composition or on the role of the CEO of companies. For example, J. Wang and Coffey (1992) found a positive relationship between the percentage of stocks held by insiders and the level of CP. Moreover, they found that the proportion of women and minority directors is positively related to CP. This finding is supported by the study of Williams (2003) on the effect of women on boards as to the height of CP. In the sample, four studies are found that focus on the role of the CEO in CP engagement of firms. First, Lerner and Fryxell (1994) found that, of the various CSR activities, only

CP was positively related to the preferences of CEOs. This finding was supported by the study of Werbel and Carter (2002), who concluded that the participation of CEOs in different nonprofit organizations was positively related to CP, especially when these CEOs were also part of the corporate foundations' board. Second, Coffey and Wang (1998) found managerial control to be positively related to CP, which they argued to be a supporting finding for the idea that CSP results from a mixture of both instrumental and altruistic motivations. Finally, Lindorff and Peck (2010) surveyed leaders of large Australian firms on their perceptions of CP. They found these leaders aligning with the economic perspective on the moral duty of the firm, although they also believed in the instrumental benefits of CSR (Lindorff and Peck, 2010). These leaders only supported CP specifically when there was a clear business case for it (Lindorff and Peck, 2010).

Multilevel: Individual and Organizational

Four studies combined determinants at the individual level with organizational level characteristics. They found positive relationships between CP and the influence of top management (Buchholtz, et al., 1999; L. Campbell, et al., 1999; Dunn, 2004; Hsieh, 2004), a general support for social responsibility, external solicitations, and, to a much lesser extent, instrumental variables such as products sales, corporate image, and sales promotion (Hsieh, 2004). On the organizational level, firm resources are found to have a positive relationship (Buchholtz, et al., 1999; L. Campbell, et al., 1999; Dunn, 2004), although strongly mediated by the influence of top management (Buchholtz, et al., 1999; Dunn, 2004). Moreover, firm resources have been indicated as the main reason not to give, next to a lack of human resources (L. Campbell, et al., 1999; Dunn, 2004; Hsieh, 2004).

Organizational

At the organizational level the determinants of CP that have found some empirical support are numerous, including ownership type, company size, profitability, and advertising intensity. First, studies on ownership type have found support for a positive relationship between CP and minority owned SMEs (Thompson and Hood, 1993), and Zhang, et al. (2010a) found private-owned versus state-owned firms in China more likely to engage in CP in response to catastrophic events. Researching the catastrophic event of 9/11 in the US, Crampton and Patten (2008) found that the positive relationship between the degree of connection to 9/11 and CP was mediated by profitability. Moreover, Bartkus, et al. (2002) found stockholders and institutional owners limiting CP. In contrast, D. Campbell and Slack (2007a) found no evidence for a positive relationship between CP and mutual status, and Adams and Hardwick (1998) found no relationship between CP and ownership type at all.

Second, studies have found company size affecting CP. For example, Udayasankar (2008) found an inverse U relationship between CSR – where he conceptualized CP as a type of CSR – with middle size companies giving relatively more to philanthropy. Other studies have found positive effects of firm size on CP, mostly comparing larger versus smaller firms (Adams and Hardwick, 1998; Burke, et al., 1986; Zhang, et al., 2010a; Zhang, et al., 2010b). However, the study by Amato and Amato (2012) painted a more nuanced picture of a cubic relationship between company size and CP in the retailer industry.

Some support has also been found for a positive relationship between CP, profitability, and cash resource available (Zhang, et al., 2010a; Zhang, et al., 2010b). Amato and Amato (2012) found no effects of firms' business cycles on CP. Finally, a negative effect between CP and leverage has been found both in the UK (Adams and Hardwick, 1998) and China (Zhang, et al., 2010a; Zhang, et al., 2010b).

Multilevel: Organizational and Institutional

Numerous studies complement research into determinants at the organizational level with institutional determinants of either industry effects or national culture. For example, Zhang, et al. (2010b) found advertising intensity to be positively related to CP, especially in more competitive industries. Similar to their findings in 2012, Amato and Amato already found a cubic relationship between company size and CP in 2007, but strong industry effects complemented this. Finally, Genest (2005) researched the effects of culture and found CP to reflect corporate values, with global companies often practicing international CP as part of their CSR.

Institutional

Numerous studies research determinants at the institutional level. For example, Hamann (2004) studied how the changing institutional context in South Africa influenced CSR in general. He found that the proof for the business case for CSR and partnerships needed to be considered in the institutional context, as he found that State regulations had a tremendous effect on a company's engagement in CSR. Similarly, Kolk, et al. (2010) found effects on national institutions on CSR when researching local and international companies in China. Moreover, Chinese international retailers, versus foreign retailers, were found to rely more heavily on CP to fulfill their social responsibilities.

A number of studies found institutional effects at the regional or community level. For example, Muller and Whiteman (2009) observed regional patterns of CP across disasters (e.g., Asian Tsunami, Hurricane Katrina). Guthrie, et al. (2008) found effects of state policies on CP, where states that were

more successful in capturing fiscal resources through institutional mechanisms such as local corporate tax rates drove down the CP of corporations headquartered in those states. Finally, two studies found effects of more normative forms of institutionalism through isomorphic pressures at the community level (Bednall, et al., 2001; Marquis, et al., 2007).

Summary

On the basis of the research in our sample two main conclusions can be formulated about the determinants of CP. First, the evidence of the determinants at all levels seems to be rather thin. In other words, our knowledge of the characteristics that drive CP seems limited. Although, in contrast to the research on other themes, the studies on determinants of CP more often focus on CP itself, not as a part of the broader concept of CSR; the range of determinants that are discussed probably limits the focus that is needed to create solid evidence for determinants in a variety of context. Second, although determinants seem to exist at all levels of analysis, no studies include all these levels of analysis, which probably limits the explanatory abilities of each of the studies. Moreover, it is likely that a number of variables play a moderating or mediating role in the relationships between CP and the determinants that have found empirical support. To gain further insight into the determinants of CP, the research would have to include multiple levels of analysis as well as increase its attention for possible moderation and mediation effects.

7.3.4. Corporate Philanthropy Practices

The research theme of CP practices includes studies that have investigated how companies practiced their philanthropy. These focus either on the way in which CP is managed (e.g., strategic philanthropy) or the actual programs that companies run (e.g., grant making to arts nonprofits).

Table 7-4D Research theme: Practices - level of analysis x key ideas

Research theme: Practices	
LEVEL OF ANALYSIS *	OF KEY IDEAS
<i>Individual</i>	Isomorphic effects of the way in which CP managers evaluate nonprofit organizations (Galaskiewicz and Burt, 1991)
	Public relation practitioners perceived CP as one of the significant elements of CSR that they engaged with in their role (Kim and Reber, 2008)
	Executives of professional sports teams placed significant emphasis on CP and ethical behaviors in fulfilling their social responsibilities (Sheth and Babiak, 2010)
	No influence found of the CEOs social network on CP practices (Galaskiewicz, 1997)
	Effects of internal stakeholders on CP practices (Sharp and Zaidman, 2010; van der Voort, et al., 2009)
	Trends in CP practices and CEO satisfaction with CP (Burke, et al., 1986)
	Pressures of employees for CCI policies and practices (van der Voort, et al., 2009)
	Risk of resistance in the organizational community (Sharp and Zaidman, 2010)
	Emphasis on the effectiveness of the CCI programs and general satisfaction of CEOs about the overall commitment of their companies to CCI (Burke, et al., 1986)

<i>Organizational</i>	Corporate giving managers believe their firms are becoming increasingly strategic in their philanthropic activities (Saiia, et al., 2003)
	Typologies of CSR activities (Vyakarnam, 1992)
	Effectiveness of CSR activities (Halme and Laurila, 2009)
	Strategic philanthropy (D. Campbell and Slack, 2008; Holcomb, et al., 2007; Jamali and Mirshak, 2007; Marx, 1999)
	Reporting practices (Malone and Roberts, 1996; Paul, et al., 2006)
	Role of CP in the operationalization of CSR (Barraclough and Morrow, 2008; Hill, et al., 2003; Vyakarnam, 1992)
	Failure to evaluate the effectiveness of CP for the organization and for society (Marx, 1999; Tsang, et al., 2009)
	Lack of focus and institutionalization (Jamali and Mirshak, 2007)
	Benefit from the development of best practices and giving templates and guidelines (Madden, et al., 2006)
	Partnerships build capacity and avoid the paternalism that traditionally characterizes CP (Tracey, et al., 2005)
	Strategic approach to CP reduces impact in spending from falling profits (Urriolagoitia and Vernis, 2012)
	Centrality of CSR activities and its strategic character (Husted, et al., 2010)
	Strategic approach to CP emerges from a stable companies' vision on CP (Foster, et al., 2009)
	Linking the strategic approach to corporate citizenship with the commitment-type (Torres-baumgarten and Yucetepe, 2009)
	Strategic management of employee voluntarism (Basil, et al., 2009)
	Ethical guidelines to marketing morally praiseworthy behavior (Stoll, 2002)
	Social reporting demonstrating that CSR is frequently operationalized as CP (Holcomb, et al., 2007; Paul, et al., 2006)
	Adherence to international standards of social reporting (Meyskens and Paul, 2010)
	No influence found of the percentage of sales to consumers nor market position on CP practices (Galaskiewicz, 1997)
	CSR as a means of communicating with or marketing to customers (Jones, et al., 2007a, 2007b)
Strategic CP related to larger firms with relatively higher philanthropic expenditures (Maas and Liket, 2011)	
Positive effects of size and financial performance on CP practices (Galaskiewicz, 1997)	
<i>Institutional</i>	Effects of national regulatory systems in CP practices (Urriolagoitia and Vernis, 2012)
	Meaning and practise of CSR in Nigeria (Amaeshi, et al., 2006)
	Large industry differences between the likelihood that companies operationalize CSR as CP (O'Connor and Shumate, 2010)
	Strategic CP related to firms in the financial sector and firms from Europe and North America (Maas and Liket, 2011)

* The table presents examples of papers that address each level of analysis, irrespective of the fact that they may address multiple levels.

Individual

The way in which different types of managers practice CP has been the focus of three studies in our sample. Galaskiewicz and Burt (1991) studied the isomorphic effects of the way in which CP managers evaluate nonprofit organizations, and they found strong effects of contagion. Kim and Reber (2008) found that public-relations practitioners perceived CP as one of the significant elements of CSR that they engaged with in their role. This was similar to the findings by Sheth and Babiak (2010), who observed that executives of professional sports teams placed significant emphasis on CP and ethical behavior in fulfilling their social responsibilities.

Multilevel: Individual and Organizational

Three studies combined the individual level analysis of CP practices with the organizational level of analysis looking at the effects of internal stakeholders on CP practices (Sharp and Zaidman, 2010; van der Voort, et al., 2009) and trends in CP practices, as well as CEO satisfaction with CP (Burke, et al., 1986). Focusing on the broader concept of corporate community involvement (CCI), van der Voort, et al. (2009) found that management of CCI is challenging when employees actively pressure for CCI policies and practices. Moreover, the ability to position CCI as a “business as usual” activity depends on these pressures of employees and the responses of other organizational audiences. The findings by Sharp and Zaidman (2010) supported these results, as they found a similar dependence of the strategization process of CSR on the absence of resistance in the organizational community. In a much earlier study by Burke et al. in 1986 on the types of CCI in the San Francisco Bay Area, evidence was found for an increasing emphasis on the effectiveness of these programs and a general satisfaction of CEOs about the overall commitment of their companies to CCI (Burke, et al., 1986).

Organizational

The largest share of studies on the CP practices of companies focuses on the organizational level of analysis. These include, for example, conceptual and empirical studies of typologies of CSR activities (e.g., Vyakarnam, 1992), and their relative effectiveness (Halme and Laurila, 2009), the extent to which management of CP is strategic (e.g., Marx, 1999), and reporting practices of CP (Paul, et al., 2006).

In an empirical study on the social responsibility practices of the top 100 UK companies, Vyakarnam (1992) found that CP was one of the dominant ways in which these companies had operationalized their CSR. The study by Hill, et al. (2003) supported this role of CP in the operationalization of CSR, in a sample of firms that are widely recognized as socially responsible firms. Barraclough and Morrow (2008) found that the same held for the tobacco company BATM.

The extent to which CP is strategically managed has been one of the most researched topics in our sample. It seems that there is little empirical evidence to support the idea that many companies are practicing strategic philanthropy (D. Campbell and Slack, 2008; Holcomb, et al., 2007; Jamali and Mirshak, 2007; Marx, 1999). By and large, companies seem to fail to evaluate the effectiveness of their CP, both for the organization itself and for society (Marx, 1999; Tsang, et al., 2009). Moreover, there seems to be a lack of focus and institutionalization (Jamali and Mirshak, 2007). Madden, et al.

(2006) found that companies would be likely to greatly benefit from the development of best practices and giving templates and guidelines.

Researching whether partnerships between community enterprises and corporations helped towards a sustainable operationalization of firms' CSR, Tracey, et al. (2005) found that partnerships have the ability to build capacity and avoid the paternalism that traditionally characterizes CP. Urriolagoitia and Vernis (2012) observed that, in the case of Spanish companies, a more strategic approach to CP reduces the chance that companies will cut their spending in the face of falling profits. Husted, et al. (2010) found that higher centrality of CSR activities increased the likelihood that it would gain a strategic character in the firm. Foster, et al. (2009) observed similar results in Canada, although they posited that companies that manage CP strategically are quite distinct in many aspects from those that do not. Moreover, they argued that a truly strategic approach to CP emerges from a company's vision of CP, and that this vision seldom changes over time. Torres-baumgarten and Yucetepe (2009) created a conceptual three-by-three matrix that links the extent to which Latin American firms manage their corporate citizenship strategically with their commitment-type. Studying employee voluntarism specifically, Basil, et al. (2009) found that in many cases, employee voluntarism is strategically managed in that it is linked with other forms of CP such as donations.

A second set of studies at the organizational level of analysis looked at the marketing and reporting practices of CP. Stoll (2002) developed a set of ethical guidelines that companies can use to address problems that are specific to marketing morally praiseworthy behavior. Paul, et al. (2006) found that social reporting by Mexican firms demonstrated that CSR is frequently operationalized as CP. In a second study by Paul in 2010, together with Meyskens, they observed a slight move of these Mexican companies to closer adherence to international standards of social reporting that emphasized concrete reporting on norms, and social and environmental goals (Meyskens and Paul, 2010). Studying the CSR reporting practices of the global top ten hotel companies, Holcomb, et al. (2007) concluded that these companies mostly reported on their CP, relative to a lack of reporting on environmental aspects of CSR, and CSR vision and values.

Multilevel: Organizational and Institutional

Empirically studying the question whether firms manage their CP strategically Maas and Liket (2011) identified factors at both the organizational and institutional level of analysis. They found that larger firms, firms with relatively higher philanthropic expenditures, firms in the financial sector, and firms from Europe and North America are relatively the most likely to manage their CP strategically.

Institutional

At the institutional level of analysis, studies identified the effects of national regulatory systems and industry effects. In a cross-national study that compared CP practices of Spanish and US firms, Urriolagoitia and Vernis (2012) found a significant difference between the spending on CP between these firms. Explicitly focusing on the institutional level of analysis, O'Connor and Shumate (2010) found that there was corporate consensus about the scope of CSR. However, they observed large industry differences between the likelihood that companies operationalized CSR as CP, with the most emphasis on CP when industries were further up the value chain.

Multilevel: Individual, Organizational, and Institutional

Galaskiewicz (1997) conducted a multilevel analysis of the factors that affected CP practices in the 1980s, focusing on the state of Minnesota, USA. He developed a number of hypotheses about CP. Galaskiewicz (1997) expected that CP would have decreased, CP would be influenced by the CEOs social network, CP would be coupled to the company's market position, and that CP would be affected by the percentage of sales to consumers. He concluded that his empirical evidence could not support any of these hypotheses (Galaskiewicz, 1997). Moreover, he found a weak effect of labor intensities, and positive effects of organizational variables such as size and financial performance.

Summary

From the research on CP practices, two broad conclusions can be drawn. First, quite a number of variables arise from the literature that seem to influence how companies manage their CP, and whether they are able to do this in a strategic way, such as the relevance of internal audiences (Sharp and Zaidman, 2010; van der Voort, et al., 2009), company size, the relative height of philanthropic expenditures, the industry, and the region (Maas and Liket, 2011). However, it is unclear to what extent the ability of companies to change their CP practices is flexible. For example, comparing two sets of Canadian firms that do and do not manage their CP strategically, Foster, et al. (2009) found that these firms are quite distinct in many aspects. Further research on this question would need to provide more insight into the drivers that shape CP practices, and this research would seem to benefit from taking a multilevel perspective including drivers at the individual, organizational, and institutional level of analysis.

Second, although Burke, et al. (1986) signaled a trend towards attention for the effectiveness of CP practices, the relationship between effectiveness and the management of CP has not received a great deal of attention in the literature since then. The only exception in our sample is the study by Galaskiewicz and Burt (1991), who found isomorphic pressures between CP managers in their

evaluations of nonprofits. Additional research needs to be done to gain further insight into the effectiveness of CP practices, and the use of this information on the effectiveness of CP in the management of these practices.

7.3.5. Corporate Philanthropy Outcomes: the Business

The studies included in this theme focused on the outcomes of CP for the business. Mostly, they research whether CP contributes to CFP.

Table 7-4E Research theme: Outcomes (business) - level of analysis x key ideas

Research theme: Outcomes (business)	
LEVEL OF ANALYSIS *	KEY IDEAS
<i>Individual</i>	Whether CP influences purchasing decisions of customers (Valor, 2005)
	Influence of forms of CSR (incl. sponsorship, cause-related marketing and CP) in the extent to which consumers identified with the company, their attitudes towards brands, and customer citizenship behaviors (Lii and Lee, 2012)
	Indian consumers might not value CP as much as other forms of operationalization of CSR (Planken, et al., 2010)
	Effects on employment and investments (Sen, et al., 2006)
	Effectiveness of employee voluntarism (Peloza, et al., 2009)
<i>Organizational</i>	Firms with unusually high levels of social responsibility, of which they perceived CP to be an operationalization, did best over longer time horizons; those with very low levels of social responsibility did best in the short run (Brammer and Millington, 2008)
	Argument that the relationship between CP and CFP can best be captured by an inverse U-shape; this relationship would vary with the levels of dynamism in the operational environments of the firms. (H. Wang, et al., 2008)
	Relation between giving and social performance (Chen, et al., 2008)
	No significant effect of CP on CFP (Seifert, et al., 2004)
	Financial correlates of corporate philanthropy (Seifert, et al., 2003)
	CP has least potential for long-term contribution to business outcomes when compared to the other types of CSR, CSR integration and CSR innovation (Kourula and Halme, 2008)
	Stronger CP-CFP relationship for firms with a great amount of public visibility, better past performance, and firms that were not government owned or politically well connected (H. Wang and Qian, 2011)
	In the aftermath of Hurricane Katrina, companies with a better CSR reputation faced a greater drop in stock prices; and were more likely to engage in CP in response to the disaster (Muller and Kräussl, 2011a)
	The relationship between CP and CFP based on the moral capital that CP can raise (Godfrey, 2005)
	Moral capital can only be raised when CP is genuine (Bright, 2006)
	Market reactions to corporate press releases that accounted CP efforts in response to the 2004 Asian Tsunami (Patten, 2008)
	Three attributes of organizational virtuousness: human impact, moral goodness and unconditionally of social benefit (Fernando, 2010)
	CP can function as an insulation mechanism against reputation damage from violation of government regulations (Williams and Barrett, 2000)
	Improved image/reputation and positive influences in relation to stakeholders (Barraclough and Morrow, 2008; Brammer and Millington, 2005; Hsu, 2012; Ricks and Williams, 2005; Tesler and Malone, 2008)
	CP and other forms of community engagement mostly paid off through raising longer-term legitimacy (Bowen, et al., 2010)
Positive effects on customer satisfaction and brand equity (Hsu, 2012)	
Sales growth as a result of CP, especially for firms that are highly sensitive to perceptions of their consumers and where individual consumers are the predominant customers (Lev, et al., 2010)	

	When CP is practiced through employee volunteerism, it raised employee morale, enhanced the public corporate image and ameliorated a damaged corporate reputation (Basil, et al., 2009)
	CP resulted in more hires and more skilled hires (Ricks and Williams, 2005)
	Employee involvement in CP as a positive signals to investors about a company's ability to bounce back from adverse events (Muller and Kräussl, 2011b)
	The relationship between CSP and corporate financial performance (Griffin and Mahon, 1997)
	Firms with extremely low or high CSR had higher debt financing costs (Ye and Zhang, 2011)
	Effect of buying group membership on small firm community involvement and performance (Litz and Samu, 2008)
<i>Institutional</i>	Cross-national historical analysis of the US and the UK of the business outcomes of CP (D. Campbell, et al., 2002)

* The table presents examples of papers that address each level of analysis, irrespective of the fact that they may address multiple levels.

Individual

In our sample three studies focused on the business outcomes of CP at the individual level of analysis. The first by Valor (2005) researched whether CP influences purchasing decisions of customers. The author found that although price and quality were the most important attributes for consumers in their purchasing decisions, CP did have an influence. Moreover, the author found that other social corporate dimensions did not have any influence on purchasing decisions. In contrast, Lii and Lee (2012) found various forms of CSR initiatives including sponsorship, cause-related marketing, and CP to influence the extent to which consumers identified with the company, their attitudes towards brands, and customer citizenship behaviors. However, they found these effects to be mediated by the reputation of the firms. Planken, et al. (2010) found that Indian consumers might not value CP as much as other forms of operationalization of CSR. Next to the effect of CP and CSR on consumers, Sen, et al. (2006) researched the effects on employment and investments. They found that, contingent on awareness of the firm's CSR, which were in most cases rather low, stakeholders in all these three domains reacted rather positively to the company.

Organizational

Most of the studies on the business outcomes of CP are conducted at the organizational level of analysis. These studies can be divided into those that studied the relationship between CP and CFP, and those that researched the mechanisms through which CP might result in improved financial performance.

The research on the relationship between CP and CFP paints a mixed picture. Brammer and Millington (2008) found that firms with unusually high levels of social responsibility, of which they perceived CP to be an operationalization, did best over longer time horizons. On the other hand, those

with very low levels of social responsibility did best in the short run. In a conceptual work, H. Wang, et al. (2008) developed the argument that the relationship between CP and CFP can best be captured by an inverse U-shape. Moreover, they argued that this relationship would vary with the levels of dynamism in the operational environments of the firms. In contrast, in an empirical study, Seifert, et al. (2004) found no significant effect of CP on CFP.

Three studies went beyond the question whether CP positively contributes to CFP. In a conceptual research, Kourula and Halme (2008) argued that, of the three different types of CSR they identified, CP has the least potential for long-term contribution to business outcomes when compared to the two other types of CSR, CSR integration and CSR innovation. Taking a more nuanced perspective on the relationship between CP and CFP, H. Wang and Qian (2011) studied the question of what type of firm this relationship was more positive for. They found the CP-CFP relationship to be strongest for firms with a great amount of public visibility, better past performance, and firms that were not government owned or politically well connected, as the gain of political resources was a more critical contribution of CP in those firms. Surprisingly, when studying the differences between US Fortune 500 firms in the aftermath of Hurricane Katrina, Muller and Kräussl (2011a) found that companies with a better CSR reputation faced a greater drop in stock prices. Moreover, these companies were more likely to engage in CP in response to the disaster (Muller and Kräussl, 2011a).

A number of studies researched the mechanisms through which CP could benefit CFP. The first set of mechanisms focused on what could be considered the “softer” side of corporate benefits such as moral capital, corporate image, and legitimacy. The second set includes more direct positive business outcomes such as the attraction of top talent and increased sales.

In his 2005 paper, Godfrey (2005) developed the argument that the relationship between CP and CFP was based on the moral capital that CP can raise. In turn, this moral capital would provide shareholders with insurance-like protection for the intangible assets that come from a firm’s relationship, and thereby it would contribute to shareholder wealth (Godfrey, 2005). In response, Bright (2006) extended this argument by positing that this moral capital can only be raised when CP is genuine. Furthermore, he proposed that only when this genuineness is based on virtuous, versus an instrumental intent, that CP has a positive effect on CFP. Patten (2008) also built on these concepts of moral capital and genuineness by studying market reactions to corporate press releases that CP efforts in response to the 2004 Asian Tsunami. He found confirming evidence for the idea that CP only impacts CFP positively, when it is perceived as a genuine manifestation of a firm’s underlying social responsiveness (Patten, 2008). Similarly, the study by Fernando (2010) focused on the three attributes

of organizational virtuousness: human impact, moral goodness, and unconditionally of social benefit. Specifically, he studied the effect of the passage of time, where initially genuine CSR activities have resulted in positive business outcomes and have therefore resulted in raising considerable doubts about their intent.

In a number of papers this focus on moral capital is extended into the broader concept of legitimacy. Williams and Barrett (2000) found that CP could function as an insulating mechanism against reputational damage due to violation of government regulations. Studying the case of the tobacco companies BATM, Barraclough and Morrow (2008) found that their CSR, of which CP was a considerable element, resulted in a more favorable image, deflected criticism, and assisted in the creation of a *modus vivendi* with numerous regulators that assisted in their continued operations and the CFB of BATM. For the tobacco company Philip Morris, Tesler and Malone (2008) found similar positive effects of CP on its CFP through the improvement of its image among key voter constituencies, the positive influence of public officials, and a conversion of various players in the public fields from possible activists to grantees. Along similar lines, Bowen, et al. (2010) concluded that rather than immediate cost-benefit improvements to a firm's CFP, CP and other forms of community engagement mostly paid off through raising longer-term legitimacy. Brammer and Millington (2005) found similar positive effects from CP on stakeholder management through increased corporate reputation. Next to the positive effects of CP on legitimacy through an improved corporate reputation, Hsu (2012) also found positive effects on customer satisfaction and brand equity.

Researching the more direct business outcomes of CP, Lev, et al. (2010) found evidence of sales growth as a result of CP. In the US, CP is significantly associated with sales growth, especially for firms that are highly sensitive to perceptions of their consumers and where individual consumers are the predominant customers (Lev, et al., 2010). Three studies in our sample looked at the relationship between CP and CFP via employees. Basil, et al. (2009) observed that when CP was practiced through employee volunteerism, it raised employee morale, enhanced the public corporate image, and ameliorated a damaged corporate reputation. Ricks and Williams (2005) concluded that in the case of 3M, CP improved the corporate image, and resulted in more hires and more skilled hires. Moreover, Muller and Kräussl (2011b) found that employee involvement in CP sent positive signals to investors about a company's ability to bounce back from adverse events in the case of Hurricane Katrina in the USA. In contrast to these positive findings of CP on CFP, researching debt financing costs, Ye and Zhang (2011) found evidence that firms with extremely low or high CSR had higher debt financing costs.

Institutional

At the institutional level of analysis, D. Campbell, et al. (2002) conducted a cross-national historical analysis of the US and the UK in terms of the business outcomes of CP. They found membership with the UK-based PerCent Club to be associated with better financial performance when compared to non-members.

Summary

The studies in our sample that focus on the business outcomes of CP are the most numerous. This research shows that when studying the relationship between CP and CFP in a direct way the evidence seems to paint a mixed picture. In contrast, the evidence for specific mechanisms through which CP would have a positive effect on CFP is slightly stronger, although many of the studies are conceptual or research a specific sample of firms or firms under specific contextual conditions such as adverse events. It is noteworthy that some studies also identified negative effects of CP. Therefore, it seems vital for future research to integrate variables at multiple levels of analysis and to consider a wider range of mechanisms through which CP could positively and negatively affect CFP.

7.3.6. Corporate Philanthropy Outcomes: Society

Next to the outcomes of CP on the business, a limited number of studies in our sample (also) focused on the outcomes of CP for society.

Table 7-4F Research theme: Outcomes (society) - level of analysis x key ideas

Research theme: Outcomes (society)	
LEVELS OF ANALYSIS*	KEY IDEAS
<i>Organizational</i>	Difficulty to report social objectives of CP; impact of CP on society is rarely evaluated (Tsang, et al., 2009)
	Reporting of social impact according to the SAM group that collects the DJSI (Maas and Liket, 2011)
	Effect of its CP on society paints a mixed picture of both opportunities and dangers (Mickelson, 1999; Nevarez, 2000)
	Impact on the work of nonprofits (Alexander, 1996)
	Effects and benefits of CSR initiatives on nonprofits (Lichtenstein, et al., 2004)
<i>Institutional</i>	Effects of integrating CSR and ethics in the undergraduate curriculum on the students awareness of the impact of corporate activity and CSR on a country's social, political and cultural landscapes (Goby and Nickerson, 2012)
	Effects of CP on society relative to other CSR activities (Chen, et al., 2008; Kourula and Halme, 2008)
	Relationship between organizations and their specific social context (Mickelson, 1999; Nevarez, 2000)
	Conceptual approach to social outcomes of CP in a conceptual way (Godfrey and Hatch, 2007; Wirgau, et al., 2010)
	Effect of national regulatory systems on the way in which CSR is practiced and is able to benefit society (Hamann, 2004)

* The table presents examples of papers that address each level of analysis, irrespective of the fact that they may address multiple levels.

Organizational

Two studies researched whether companies that practice CP report on the social aspects of CP. Tsang, et al. (2009) found that companies struggled greatly to report on the social objectives of their CP, and that the impact of CP on society was rarely evaluated. In contrast, in a sample of 500 firms listed in the Dow Jones Sustainability Index (DJSI), Maas and Liket (2011) observed that a large number of firms reported measuring their social impact according to the SAM group that collects the DJSI. However, the sample in this study might provide limited ability to make generalizations.

Multilevel: Organizational and Institutional

A larger number of studies have researched the outcomes of CP for society, integrating the organizational and institutional level of analysis, by focusing on the relationship between organizations and their specific social context. Mickelson (1999) concluded that in the case of IBM, the effect of its CP on society paints a mixed picture of both opportunities and dangers. Nevarez (2000) found similar results researching the effects of CP on an urban business community, because CP engagement and collaborations between firms and environmental nonprofits and higher educational institutions eroded the cohesion of the urban business community and weakened the traditional control of the community over its civic resources. Alexander (1996) researched CP from

the perspective of the nonprofit organization. He found that the content of the work of nonprofits could change when its funds came from CP rather than from individual philanthropists.

Two studies focused on the effects of CP on society relative to other CSR activities. In a conceptual study, Kourula and Halme (2008) argued that, of the different corporate responsibility activities of CP, innovation and integration, CP had the least potential to result in social benefits. Chen, et al. (2008) found that CP had a negative relationship to firms' performances in other areas of CSR including environmental issues and product safety. They explained this relationship by pointing to the use of CP as a legitimization tool by companies, which would allow them to perform more poorly in other social domains.

Institutional

At the institutional level of analysis there is one study that looked at the effect of national regulatory systems in South Africa on the way in which CSR is practiced and is able to benefit society (Hamann, 2004), and two studies that approached the question of the social outcomes of CP in a conceptual way (Godfrey and Hatch, 2007; Wirgau, et al., 2010). Hamann (2004) found that in communities with corporate mines in South Africa, CSR was more beneficial to society than CP. However, he argued that this was not just due to the strategic emphasis on CSR but was mostly caused by a legislation transformation program from the South African government. Wirgau, et al. (2010) also studied the effects of the argument for more strategic approaches to CP in the African context in a conceptual paper. They rejected the assumption that businesses will be able to solve the social problems that civil society, governments, and philanthropy have been unable to tackle, and emphasize the paternalistic nature of CP. In their conceptual paper, Godfrey and Hatch (2007) researched the state of the art of CSR research, in which they conceptualized CP as a specific operationalization, across a number of academic disciplines. They found a general lack in the literature on micro-level foundations that provided insight into the decision-making processes of resource allocation along the various social initiatives, as well as a lack of measurement of outcomes of those initiatives.

Summary

Considering that the premise of CP is to contribute to both the business and society, there is surprisingly little research in our sample that focuses on these social outcomes of CP. From the limited research that has been done it seems that the evidence for the positive effects of CP on society paints a mixed picture. This presents a troubling situation, as the positive impact of CP on society is a central assumption in most of the research on CP.

7.4. Agenda for Future Research on Corporate Philanthropy

The comprehensive map of the research on CP that has been drawn throughout this paper has resulted in the identification of significant knowledge gaps in this literature. Here a number of specific suggestions are provided on how these knowledge gaps can be addressed in future CP research.

Multilevel Analysis

Overall, the review of the CP literature seems to indicate that our knowledge of CP is still limited. In none of the research themes there was a consensus on a set of arguments, theoretical approaches, or empirics such as basic determinants or conceptualizations of CP. The research on CP is highly fragmented, given that about 70% of the articles focused only on a single level of analysis. However, in practice, CP is likely to be a product of forces at all levels of analysis. In addition, this review reveals that specific theoretical perspectives accompany this focus on a singular level of analysis. For example, institutional theory is used to point to aspects of legitimacy and the influence of norms and regulations at the institutional level, resource-based view, and stakeholder theory looking at firm size and stakeholder influences at the organizational level, and theories of organizational justice and psychological needs at the individual level of analysis.

Future research could approach the research on CP by focusing on more than a single level of analysis. For example, the business outcomes of CP could manifest at the individual level of analysis in terms of psychological benefits for managers and at the organizational level by increasing sales or corporate image. Using a multilevel perspective also facilitates the exploration of effects across levels, such as the effect of managerial values on firm strategies (Aguinis and Glavas, 2012).

Autonomous Field of Theorizing

Throughout the review it is found that the status of CP has changed due to the increased emphasis on the broader notion of CSR, and the frequent conceptualization of CP as a rather old-fashioned operationalization of CSR. This runs the risk of research about CP being viewed as an aspect of the broader, related but arguably conceptually quite distinct, notion of CSR. In addition, because the data on CP is oftentimes more straightforward, it is frequently used as a blunt measurement in studies on CSR. This runs the risk of resulting in rather low measurement validity in both strands of research. Future research on CP might benefit from frameworks that acknowledge the unique propositions of CP such as the framework by Wood (1991, p. 710) that distinguishes between principles, processes, and outcomes, and levels of analysis, of the various domains of corporate social performance (table 7-5): economic, legal, ethical and discretionary.

Table 7-5 Framework adapted from Wood (1991)

	Institutional	Organizational	Individual
Principles	<i>Social Legitimacy</i>	<i>Public Responsibilities</i>	<i>Managerial Discretion</i>
Processes	<i>Social and Environmental Assessment</i>	<i>Stakeholder Management</i>	<i>Issues Management</i>
Outcomes	<i>Social Impact</i>	<i>Social Policies</i>	<i>Social Programs</i>

Social Outcomes

Despite much concern for the genuineness of the intentions of firms in engaging in CP found in the literature, the social outcomes of CP receive surprisingly little attention. This reflects a trend in the literature on CSR, where the social effects have also largely been ignored (Margolis and Walsh, 2003; Wood, 2010). As Wood (2010, p. 76) posited in her more recent work: “The whole idea of the CSP is to discern and assess the impact of business society relationships. Now it is time to shift focus away from how CSP affects the firm, and towards how the firms’ CSP affects stakeholders and society.” Therefore, it is believed to be more fruitful for the literature on CP to turn to the philanthropic and public policy literature instead of the literature on CSR to learn from the existing knowledge on social outcomes of philanthropic programs. Following the call from the political science literature, there is a need to take an alternative critical approach that “focuses on society’s most valuable groups and adopts a ‘people-centred’ perspective as counterbalance to the dominant ‘business case’ perspective” (Prieto-Carrón, et al., 2006, p. 977).

Strengthened Methodology

From the review two broad observations are made on the quality of the research on CP in terms of the methodologies that are being used. First, it seems that, increasingly, CP research is focused on those areas where data is readily available, such as CSR and CP reporting on websites and in annual reports. However, the review shows that there are still a number of serious gaps in the literature that require the attention of academics. Second, it might be beneficial for future research on CP to create more room for qualitative research. Qualitative research is essential to the descriptive stage of theory building through observation and classification that proceed the, often quantitative, testing of models. Moreover, the role of qualitative methods is also imperative for the second stage of prescription where anomalies are identified and the theory is optimized and advanced (Kuhn, 1962). The dominance of

quantitative methods in CP research reflects a general trend in management theory where qualitative methods are greatly undervalued (Heugens and Mol, 2005).

7.5. Conclusion

This review presents a comprehensive map of the knowledge that the research on CP has produced so far. It is split into the six research themes: concept, motives, determinants, practices, business outcomes, and social outcomes. Overall, it is found that our knowledge of CP is rather limited, especially considering the evidence for the scale and scope of CP.

Four main knowledge gaps in the literature are identified. First, to further our understanding of CP, multilevel analyses that represent the interplay between variables at the individual, organizational, and institutional level of analysis that affect CP are needed. Second, although CP is increasingly portrayed as an old-fashioned way for companies to operationalize their social responsibilities, in order to progress the research on CP, there is a need to take stock of the unique properties of CP. Third, in order to regain legitimacy for the research on CP, attention needs to be redirected to the consequences for society. Finally, in order to further CP research, a more disciplined approach is required that takes stock of the existing knowledge, does not simply grow from easily accessible data, is sensitive to context, and acknowledges the importance of qualitative research in the theory-building process.

By providing a comprehensive map of the intellectual terrain on CP, this research contributes to a first step in battling the devolution of the research on CP. Moreover, it alerts us to the extent that academic research can be decoupled from practice. While nations debate the design of policies to facilitate CP, companies struggle to define their approaches to CP, and manager's battle to come up with strategies to optimize their management of CP, the research does not seem to offer many concrete contributions to this. In contrast, the research on CP has adopted a rhetoric that renders it old-fashioned and ineffective, while empirics show that CP is alive and well in practice.

Despite the efforts to embrace much of the literature on CP, it is not claimed that this review is completely inclusive in terms of existing research. In particular, the research method adopted to take stock of the literature has its limitations. For instance, there is important literature in other formats (e.g., books), there is potentially interesting literature in scientific areas not covered by the search engines used (e.g., most work on political sciences), or relevant may have been missed papers due to the procedures implemented (e.g., systematic steps for paper selection). Despite the need to balance scale, scope, and depth, it is believed that this review gives an account of the main existing trends in terms of research themes found in the literature but not necessarily all the research within each theme.

List of abbreviations

CCI - Corporate Community Involvement

CEO – Chief Executive Officer

CFP - Corporate Financial Performance

CP - Corporate Philanthropy

CSP - Corporate Social Performance

CSR – Corporate Social Responsibility

DJSI - Dow Jones Sustainability Index

NGO – Non-governmental Organization

SME – Small and Medium Enterprise

Appendix A

The review scope, which delimits the literature search, included an automated search of peer-review papers in academic journals on the following scientific databases: 1) Science Direct; 2) ISI Web of Knowledge; and 3) ProQuest-ABI/INFORM Global. Based on the output from these three databases, the systematic literature review was performed in two steps.

The *first step* consisted of a systematic search in a limited number of journals with the following search equation: "corporate philanthropy" OR (philanthropy AND [company or corporate]). The focus was on twenty-two journals following the review by Aguinis and Glavas (2012) (*Academy of Management Journal*; *Academy of Management Review*; *Administrative Science Quarterly*; *Business and Society*; *Business Ethics Quarterly*; *International Journal of Management Reviews*; *Journal of the Academy of Marketing Science*; *Journal of Applied Psychology*; *Journal of Business Ethics*; *Journal of International Business Studies*; *Journal of Management*; *Journal of Management Studies*; *Journal of Marketing*; *Journal of Occupational and Organizational Psychology*; *Journal of Organizational Behavior*; *Organizational Behavior and Human Decision Processes*; *Organization Science*, *Organization Studies*; *Personnel Psychology*; and *Strategic Management Journal*) plus the two nonprofit sector journals that are ISI journals (*Nonprofit and Voluntary Sector* and *Voluntas*).

From this first step, 120 papers were retained from the following journals: *Academy of Management Journal*(3); *Academy of Management Review* (5); *Administrative Science Quarterly* (2); *Business and Society*(12); *Business Ethics Quarterly* (2); *Journal of Business Ethics* (71); (*The Journal of Management Studies* (3); *Journal of the Academy of Marketing Science* (3); *Journal of Marketing* (2); *Nonprofit and Voluntary Sector Quarterly* (9); *Organization Science* (1); *Strategic Management Journal* (5); *Voluntas* (2). From these, 36 were mostly excluded for three main reasons (did not deal with CP, the organization developing CP initiatives was not a firm; the paper was a book review or editorial). Consequently, the final sample for the first step consisted of 84 journal articles. These papers were coded into the following categories: 1) theoretical/conceptual; 2) empirical – quantitative/qualitative/mixed methods; 3) position of CP in the paper; 4) theme; 5) level and context of analysis; 6) research question; and 7) lessons.

From the first step, the dominance of quantitative research in CP research (only about 10% was qualitative) became clear, reflecting a general trend in management theory where qualitative methods are greatly undervalued (Heugens and Mol, 2005). However, qualitative research has an important role to play in the theory-building process. Hence, a *second step* was performed that looked in more detail into the literature on CP that uses qualitative methods, but this time there was no pre-selection of journals. In addition, the search equation was extended so as to be more inclusive ([corpor* OR company* OR business OR enterprise* OR firm*] AND [donat* OR philanthrop* OR giving]).

Again, any paper that somehow put together (in the title, abstract, or keywords) corporations and philanthropy (or similar wording) was captured. In a second step, the papers selected had to employ qualitative research methods in studying CP (or similar terminology) even if other research methods or topics were covered as well, as is the case for mixed-methods studies combining both qualitative and quantitative research methods. The main research methods associated with qualitative research are ethnography and participant observation, qualitative interviewing (unstructured and semi-structured), focus group, discourse and conversation analysis, and the collection and qualitative analysis of texts and documents (Bryman, 2008). In addition, the papers had to explicitly refer to some sort of CP, corporate giving or community involvement, for instance, since these are terms often used interchangeably. In this second step, criteria were applied to around 3800 abstracts that resulted from the initial search in three databases. Second, they were applied to the full papers retrieved from the first selection. The authors were unable to access 5 out of the 51 papers that were then excluded from the analysis (Anghel, et al., 2009; Ertuna and Tukel, 2010; Mackie, et al., 2006; Webb, 1996; Zippay, 1992). This resulted in 46 papers, 38 of which were new papers, that is, not detected in the first step. This second step has enriched our sample.

In both steps, quality selection criteria excluded dissertations; conference proceedings; reports or other non-peer reviewed research; editorials or editor notes; and papers written in a language other than English, without an abstract, author, publication year, or publication name.

The final set of papers used for the purpose of this study is 122.

The whole selection of the papers was performed using the qualitative research software MAXQDA, which helped in searching for terms and coding the abstracts in a way that facilitated dealing with the variety of codes and abstracts. The analysis of the papers was based on the qualitative content analysis method, which is an approach that emphasizes the role of the researcher in the construction of the meaning of documents and texts (Bryman, 2008). Categories tend to emerge out of data, and in this particular study based on the analysis of the research question(s) found in the various papers, research themes have emerged. In order to enhance comparability, the analysis was grounded mostly on the research themes and not on the papers themselves. Often multiple research themes were addressed in one paper, inhibiting the ability to classify papers within one theme or within one type of the other classifications (e.g., research methods). Consequently, the categorization by themes often sums up to a greater number than the total number of papers.

Chapter 8

Strategic Philanthropy: A Happy Marriage of Business and Society?¹⁷

Abstract

Because it promises to simultaneously benefit business and society, strategic philanthropy has been described as the happy marriage of corporate social responsible behaviour and corporate financial performance. However, as evidence so far has mostly been anecdotal, it is important to understand to what extent the empirics support the value of this strategic approach, of creating both business and social impact through corporate philanthropic activities. Utilizing data from the years 2006-2009 from a sample of the Dow Jones Sustainability Index (DJSI World), which monitors the world's most sustainable companies, a model of strategic philanthropy is tested. From the DJSI data, the results show that a measure of overall *corporate social performance* to be the most important explanatory factor for engagement in strategic philanthropy. Moreover, this measure of *corporate social performance* has a mediating effect on the relations between certain independent variables and strategic philanthropy. Other important findings provide support for the influence of the institutional factors *industry* and *region* on the likelihood that companies are practicing strategic philanthropy, but little effect of the business characteristics *company size* and *profitability*.

¹⁷This chapter is based upon:

Liket, K.C. and Maas, K.E.H. Strategic Philanthropy: A Happy Marriage of Business and Society. (Under Review with *Business and Society*)

8.1. Introduction

Corporate philanthropy has historically been the predominant means through which companies have fulfilled their social responsibilities to the local communities in which they operate (Berman et al., 1999; Wood and Jones, 1995). Evidence shows that the level of philanthropic contributions made by companies has grown significantly over the last 20 years (Brammer et al., 2006; Campbell et al., 2002; Dennis et al., 2009). In 2005, 82 of the largest corporations in the United States increased their cash donations by a median of 10.1% (Wilhelm, 2006). Despite worsening economic conditions and a slowdown in earnings, the philanthropy of large US corporations has increased (Brewster, 2008; Urriolagoitia and Vernis, 2012). In 2010, according to Giving U.S.A., corporate philanthropy in the US amounted to over \$15 billion. Corporate philanthropic contributions are distributed to a diverse range of causes such as education, arts, culture, medicine, science, environmental protection, and human services (Seifert et al., 2004). Although corporate philanthropy is not the dominant source of funds for the non-profit sector, it does represent a substantial contribution and is of growing importance in the face of diminishing governmental activities. With such large amounts of money involved, an important question arises: What is the impact of corporate philanthropy on both the business and society?

Much debate surrounds the question. For example, neoclassical views such as agency theory disregard the entire concept of corporate philanthropy and argue for the sole corporate purpose of shareholder wealth maximization (Seifert et al., 2003; Weyzig, 2009). In contrast, stakeholder theory, corporate citizenship theory, and ethical theories argue for the benefits of corporate philanthropy (Clarkson, 1995; Jamali, 2008). Strategic philanthropy is often proposed as a reconciliation of these opposing views. From this perspective corporate philanthropy is linked to the company in a more strategic way, the focus is on the positive effects it has – directly and indirectly – on both the profitability of corporations and the betterment of society (Buchholtz et al., 1999). Similarly, Porter and Kramer (2002) referred to strategic philanthropy as the “convergence of interest” where social and economic benefits are combined (p.59).

Examples of the positive impact of philanthropy on businesses are: the encouraging effects donations can have on the attractiveness of companies in the eyes of investors (Barnes, 1995); the value that can be derived from corporate philanthropy by shareholders (Brown et al., 2006; Galaskiewicz, 1997) and other stakeholders (Lewin and Sabater, 1996; Saiia et al., 2003). Actual examples of the positive impact corporate philanthropy has on society are: the logistical aid provided by TNT Post (parcel services) to the World Food Programme (WFP) in the distribution of emergency relief, and the highly nutritious products Royal Dutch DSM (the global science-based company active in health, nutrition and materials) develops in partnership with the WFP.

Despite much scholarly theorizing and anecdotal suggestions about philanthropic practices of companies that genuinely create a positive impact for both organizations and society, (Brammer and Millington, 2005; Godfrey, 2005; Saiia et al., 2003; Sánchez, 2000), it is presently unclear to what extent companies are indeed managing their corporate philanthropy strategically. Much of the existing research strongly focuses on the height of corporate philanthropic expenditures, the rationale behind corporate donations, (Foster, et al., 2009; Sanchez, 2000, Young and Burlingame, 1996), and the determinants of these expenditures (Brammer and Millington, 2005, 2006; Seifert et al., 2003; Zhang et al., 2010). Thus, researchers have not succeeded in substantiating empirically whether companies are engaged in strategic philanthropy or not.

The aim of this study, therefore, is to add to the body of theoretical and anecdotal suggestions by providing an empirical snapshot of the extent to which companies are practicing strategic philanthropy. Additionally, it is attempted to identify and explain their motives for doing so by examining three sets of elements: business characteristics (*company size, profit*), institutional factors (*industry, region*) and social orientation (*philanthropic expenditures, corporate social performance (CSP)*).

8.2. Theoretical background

Strategic philanthropy

Varadarajan and Menon (1988) defined corporate philanthropy as the voluntary choice of a company to spend resources with the aim of positively contributing to social welfare (whilst recognizing that there can also be other, parallel aims). The current body of literature on corporate philanthropy mainly focuses on the act of philanthropy (how much do corporations give), the rationale behind philanthropy (why do corporations give), and the characteristics that influence philanthropic expenditures (e.g., company size, geographical region, industry, slack resources, advertising intensity) (Brammer and Millington, 2005, 2006; Buchholtz et al. 1999; Dennis et al., 2009; Saiia, 2001, Saiia et al., 2003; Zhang et al., 2010). Moreover, studies that explore the results of corporate philanthropy have focused strongly on the business impact (Urriolagoitia and Vernis, 2012). Some have argued that corporate philanthropy has the potential to create business impact that is more than a byproduct of corporate success. For example, Mecson and Tilson (1987) suggested that philanthropy is often a vital component of corporate strategic management. It is used to stimulate corporate success (Useem, 1988; Campbell and Slack, 2008), to strengthen a firm's overall strategy and strategic positioning (Campbell and Slack, 2007; Haley, 1991), and to substitute for advertisement costs (Zhang et al., 2010).

The concept of strategic philanthropy arose in the 1990s and over time has been ascribed a variety of meanings. For example, Young and Burlingame (1996) understood strategic philanthropy to be an alignment of the philanthropic expenditures with the core business of the company. In contrast, Porter and Kramer (1999) took a societal perspective and considered philanthropy to be strategic when the company was able to achieve a greater social value per dollar, as compared to any other organization with the same objective (Porter and Kramer, 1999). Post and Waddock (1995) were the first to draw a helpful distinction between “philanthropy strategy” and “strategic philanthropy”. Building upon the separation of these two concepts, Saiia et al. (2003, p.185) defined philanthropy strategy as “the firm is orderly in the methods and procedures it uses to give money away” and strategic philanthropy as “the corporate resources that are given have meaning and impact on the firm as well as the community that receives those resources”. In other words, philanthropy strategy focuses only on the systems that are in place to make the donations. In contrast, strategic philanthropy is about the achievement of those resources, on both the business and society. The definition used by Thorne et al. (2001, p.360) also focuses on the impact of strategic philanthropy on both the business and society: “synergistic use of a firm’s resources to achieve both organizational and social benefits”.

The understanding of strategic philanthropy as used in this study aligns with those proposed by authors such as Thorne et al. (2001) and Porter and Kramer (1999; 2002), who consider corporate philanthropy to be strategic when it achieves results, positive impact, for both the business and society. It is important to note that this implies that companies are only considered to be engaged in strategic philanthropy when their philanthropic practices achieve this simultaneous impact on both their business and society. In other words, expressions of intent to better either or both the business and society through philanthropic activities without actually evaluating the results of either is insufficient to conclude that a company engages in strategic philanthropy.

Impact measurement

Similar to the prominence of studies into the financial returns of corporate social responsibility (CSR), the focus in the literature on strategic philanthropy has been on themes that relate to why – and how much – companies give (Brammer and Millington, 2006; Buchholtz et al, 1999; Himmelstein, 1997; Logsdon et al., 1990; Sanchez, 2000; Young and Burlingame, 1996). Much less attention has been paid to managerial questions of the measurement of results and the strategic decision-making that is made with this information. According to Margolis and Walsh (2003), in the case of CSR, this lack of attention for measurement and strategy is most prominent when it concerns the social effects. They argued that the cause for this negligence lies with organizational scholars who research CSR, as they “aimed to posit and demonstrate the economic benefits of corporate responses to social misery. This

has left a considerable gap in our descriptive and normative theories about the impact of companies on society” (2003, p.296). Similarly, Wood (2010, p.76) expressed her worries regarding the failure of research to address the social impact of CSR: “while the whole idea of CSP is to discern and assess the impact of business-society relationships. Now it is time to shift the focus away from how CSP affects the firm, and towards how the firms’ CSP affects stakeholders and society”.

As the purpose of strategic philanthropy as defined here is to achieve positive results for both the business and society through philanthropic activities, impact measurement is a crucial component. Only by measuring the impact of these activities on the business and society can it be determined whether the desired goals have been achieved. And it is only through such measurements that improvements to results can be made strategically (Carroll, 2000). Blowfield and Frynas (2005) also emphasized this point, stating that without measurement the effects of corporate philanthropy remain dubious. Salazar et al. (2012) argued that neglect of impact measurement in the management of corporate philanthropy results in a severe lack of strategic management of these social projects, forgoing the potential to improve both business and social performance.

When it is understood that strategic philanthropy is not simply the implementation of methods and procedures that are designed to manage philanthropic activities in an orderly way, nor is it corporate intent to better the business and/or society, but rather that it is a function of the results of these activities (for both the business and society), then it becomes apparent that impact measurement is a major prerequisite for engagement.

However, it is important to note that it is not argued here that impact measurement of business and social results of philanthropic activities and the concept of strategic philanthropy are analogous in any way. Although it is believed that companies that fail to measure both the business and social impact of their philanthropic activities are unable to manage their philanthropy strategically, the opposite does not necessarily hold. Only companies that measure their business and social impact are able to manage their philanthropy strategically, but measuring this impact does not necessarily guarantee that these companies are using their findings to inform their strategic decisions. Put another way, it is argued that when practicing philanthropy, you cannot be strategic without the measurement of both your business and social impact, but it is possible to measure this impact and still not be strategic.

Business impact

Some scholars have argued that the business case for corporate philanthropy overrides the societal case (Blowfield and Frynas, 2005; Frynas, 2005). In this strand of literature, where corporate

philanthropy is perceived as a business strategy, studies have attempted to demonstrate the business gains of philanthropy by performing analyses on the relationship between philanthropic expenditures and corporate financial performance (Hess et al., 2002). One mechanism through which philanthropy can improve financial performance is increased sales, either from existing customers or from new customers (Halme and Laurila, 2008; Hillman and Keim, 2001). For example, large multinational companies target the so-called 'Bottom of the Pyramid', by developing specific social programmes, such as a rural hygiene project that stimulates the sale of soap products (Davidson, 2009). Moreover, companies may contribute a certain amount of money to a non-profit organization for every product that is sold. Some empirical evidence for the positive results of corporate philanthropy on increased sales has been found in the USA, UK, and South Africa (Zalka et al., 1997). Zhang et al. (2010) found that companies used philanthropy as an alternative for advertising. The public image of a company might improve through the positive publicity that philanthropy can bring or by the compensating effect of philanthropy on negative publicity (Williams and Barret, 2000). A positive public image might also enhance a company's attractiveness as an employer, affecting the selection process of employees looking for a job (Cable and Judge, 1994; Schneider, 1987). Employees have been found to be interested in companies with an attractive public image (Backhaus et al., 2002; Greening and Turban, 2000; Turban and Greening, 1997). Recognition of a company name might be heightened as a result of corporate philanthropy, for example through increased media attention (Zhang et al., 2010). Moreover, Fombrun and Shanley (1990) found that corporate reputation improves with higher philanthropic expenditures. However, in order to unravel whether and how a specific corporate philanthropic programme influences business performance, companies need to develop a measurement system to capture the business impact. As Carrigan argued, failure to do so is "not only a drain on funds, but it might even damage a firm's reputation when mishandled good deeds backfire" (Carrigan, 1997, p.39). This could be done, for example, by monitoring the impact of the programme on sales to new or existing customers. It is important to realize that some effects will only occur after a period of time, such as the change in the attitudes of stakeholder groups (Mohr et al., 2001).

Social impact

In contrast to the voluminous studies on the business impact of corporate philanthropy, the value of corporate philanthropy to society remains largely unexplored (Halme and Laurila, 2008; Margolis and Walsh, 2003). However, authors have warned that refraining from measuring this social impact might result in philanthropic programmes providing fewer benefits or even adding burdens to society (Carroll, 2000; Salazar, et al., 2012). Wood (2010) has argued against the myth that the measurement of social impact is not possible, by stating that all of the outcomes of corporate social responsibility activities (which concern society, stakeholders and the company itself) can be measured and evaluated.

In her model, Wood divides these impacts into “effects on people and organizations”, “effects on the natural and physical environments” and “effects on social systems and institutions” (Wood, 2010, p.54).

There are well-known examples of organizations that actively measure their social impact. National Grid, for example, measures both the effects of its philanthropic programmes on employee motivation and the social impact of its community investments. USAID actively uses impact measurement in its public-private alliances, such as the End Exploitation and Trafficking (EXIT) alliance in Asia, where it has partnerships with MTV, Nickelodeon and VH1 to increase awareness of human exploitation (Saul et al., 2010). The social impact of philanthropic activities can only be improved through careful evaluation and measurement (Salazar, et al., 2012). Similar to the business impact of philanthropy, some types of social impact might not manifest themselves until much later in time; gender equality that results from a microcredit scheme targeted at female entrepreneurs, for example. In these cases, the measurement system can initially capture intermediate effects, allowing managers to monitor whether the philanthropic activity is realising the expected effects in the first steps of the hypothesized causal chain of social change. It is therefore often necessary that social impact be measured in the intermediate and the long term.

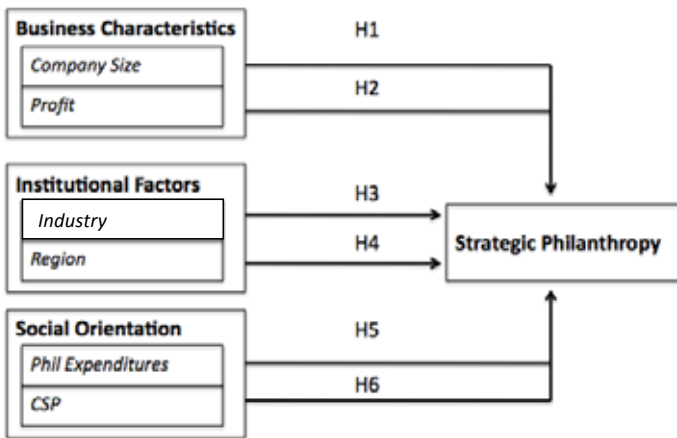
8.3. Conceptual model

In this section a conceptual model is developed from which a number of research hypotheses are derived that guide the subsequent analyses. This conceptual model is an extension of the studies performed by Carrigan (1997), Tokarski (1999), and Maas and Liket (2011), all of whom have researched the extent to which companies engaged in the impact measurement of their corporate philanthropic activities. In the 1990s, both Carrigan (1997) and Tokarksi (1999) found an overall lack of formal evaluations of both the social and business impact of corporate philanthropy programmes in their samples (UK and US). In contrast, a more recent study by Maas and Liket (2011) used a much larger sample of companies ranked in the Dow Jones Sustainability Index between 2005 and 2007. They found that the number of firms measuring one or multiple types of impact was large, between 62% and 76% in 2007, and had steadily increased over the years, from 46% in 2005 up to 76% in 2007.

The aim of the study by Maas and Liket (2011) was to uncover whether firms were measuring their impact, what kind of impact (social or business) they were measuring, and what factors could explain whether companies measured their business or social impact. On the basis of their findings, which showed a trend towards impact measurement, this study aims to uncover whether there is also a trend

towards the simultaneous measurement of business and social impact, as the strategic philanthropy rhetoric would imply. In other words, our interest does not lie with whether companies measure the impact of philanthropic activities per se. Rather, because it is believed that the measurement of both business and social impact is the primary prerequisite for the strategic management of philanthropy, and because our aim is to uncover the prevalence of strategic philanthropy and the corporate motivations to engage in strategic philanthropy, our analysis concerns itself with the extent to which companies simultaneously measure their business and social impact.

Figure 8-1 Factors that drive engagement in strategic philanthropy – conceptual model 1



8.3.1. Business characteristics

Company size

The literature on corporate philanthropy has emphasized the positive effect of company size on the level of philanthropic expenditures (Adams and Hardwick 1998; McElroy and Siegfried, 1985). Amato and Amato (2007) found a more complex cubic relationship between company size and expenditures, where small and large companies were likely to devote more resources to corporate philanthropy, while medium-sized companies devoted fewer resources. Although not linking company size and strategic philanthropy directly, Saiia and his colleagues (2003) found that companies with higher levels of business exposure managed their philanthropy more strategically. This builds on the concept of business exposure risk (Miles, 1987). The rationale behind this concept is that companies with greater business exposure generally face more legitimacy pressures (Margolis and Walsh, 2003), and that these pressures lead companies to manage their philanthropy more strategically in order to fulfil the demands made of them (Saiia et al., 2003). Consequently, it is expected that because larger

companies face more business exposure and subsequent legitimacy pressures, they are more likely to engage in strategic philanthropy.

Hypothesis 1:

There is a positive relationship between company size and strategic philanthropy.

Profit

Similar to the effect of size on whether companies are more likely to engage in corporate philanthropy, studies have found a positive effect of higher levels of profits on corporate philanthropic expenditures (McElroy and Siegfried, 1985; McGuire et al., 1988; Ulmann, 1985). However, Buchholtz et al. (1999) argued that profits and company size do not necessarily relate to one another, as larger companies are not always more profitable. Slack resource theory is often used to explain the link between profits and philanthropic expenditures, although this relationship has rarely been tested empirically (Brammer et al., 2006; Seifert et al., 2003). An exception is the empirical study conducted by Seifert et al. (2003), who found a positive relationship between available resources and donations made. Similarly, the level of slack resources is likely to be related to whether companies manage their philanthropy strategically. This relationship could be either positive or negative. On the one hand, few slack resources could cause companies to be more careful in the strategic management of philanthropic expenditures. On the other hand, more slack resources could also allow for greater levels of strategic management, as there are more resources available to support a measurement system, capture the business and social effects, and justify the management time for strategic decision making with the information obtained. On the basis of the evidence that higher levels of profit have a positive effect on philanthropic expenditures, and the argument that higher levels of profit are likely to result in more slack resources, which in turn could increase the resources available to manage these expenditures more strategically, companies with higher levels of profits are expected to be more likely to engage in strategic philanthropy

Hypothesis 2:

There is a positive relationship between the level of a company's profits and strategic philanthropy.

8.3.2. Institutional factors

Many authors pose that it is the institutional environment that determines whether companies engage in socially responsible behaviour. For example, Campbell (2006) argued that the behaviour of a company towards social issues is dependent on institutional factors including: a) the extent to which it encounters strong state regulation; b) collective industrial self-regulation; c) non-governmental

organizations and other independent organizations that monitor companies; d) the normative institutional environment. On the basis of this strand of literature, two important institutional factors are identified that are expected to affect the likelihood of engagement in strategic philanthropy: the industry in which companies operate and the geographical region in which the company headquarters are located.

Industry

Empirical evidence suggests that corporate philanthropy varies significantly across industries (Amato and Amato, 2007; Fry et al., 1982; Navarro, 1988). Variation in isomorphic pressures between industries could cause homogeneous organizational practices within industries, but heterogeneous organizational practices between them (DiMaggio and Powell, 1983; Shropshire and Hillman, 2007). In one of the earliest studies on corporate philanthropy, Johnson (1966) compared the philanthropic expenditures of companies in competitive versus monopolistic industries. He found that companies in competitive industries couldn't afford to engage in corporate philanthropy unless everyone did, whereas companies in monopolistic industries had no incentive to make corporate donations. Other studies have found effects on philanthropic expenditures in industries that relied more heavily on consumer sales (Burt, 1983), public perceptions (Clotfelter, 1985), and those that were more labour intensive (Navarro, 1988).

Chen et al. (2007) proposed in an empirical study that corporate philanthropy might be a legitimacy strategy. They found that from 384 U.S. based companies, those that scored worse on the social issues relating to environmental concerns and product safety, more frequently engaged in corporate philanthropy and spent relatively more money. Other studies support this as they have found positive effects between social responsibility disclosure and industries with a high level of political risk and concentrated intense competition (Roberts, 1992). These findings would suggest that companies operating in industries where legitimacy is more frequently threatened have higher philanthropic expenditures and are more eager to report on corporate philanthropy in order to demonstrate its effects. This line of reasoning is supported by studies that have found reporting on non-financial information, including corporate philanthropy, to vary substantially per industry (Kolk, 2005; Kolk et al., 2001).

Therefore, the effect of the variation between institutional pressures in industries on philanthropic expenditures is expected to also hold for engagement in strategic philanthropy.

Hypothesis 3:

Engagement in strategic philanthropy varies according to the industries in which companies operate.

Region

Studies have found that reporting on non-financial information, including corporate philanthropy, varies substantially by country (Kolk, 2005; Kolk et al., 2001; Maignan and Ralston, 2002). The explanations offered for these empirical variations in reporting of non-financial information are related to variations in governance systems (Griffiths and Zammuto, 2005), public pressures (Kolk, 2005), and stakeholder pressures (Margolis and Walsh, 2003). It has also been argued that these differences stem from the local social and cultural systems (Biggart and Guillen, 1999; Whitley, 1999) and institutional systems (Hall and Soskice, 2001). For example, Aguilera and Cuervo-Cazurra (2004) found that U.K. companies reported more frequently in comparison to U.S. companies, and contributed this difference to the greater attention paid by institutional investors and companies in the U.K. to long-term environmental and social risks. Even though it need not always be the case that the way in which a company communicates about its social responsible behaviour correctly represents the actual strategic character of their behaviour, reporting practices have been considered an important indicator of actual behaviour. Because of the large differences between countries in the level of corporate philanthropic expenditures, and their reporting behaviour, it is expected that engagement in strategic philanthropy varies across regions.

Hypothesis 4:

Engagement in strategic philanthropy varies according to the region in which a companies' headquarters is located.

8.3.3. Social orientation

Philanthropic expenditures

Research has shown that the level of corporate philanthropic expenditure is determined by multiple factors, such as the size of companies (Adams and Hardwick 1998; Amato and Amato, 2007; McElroy and Siegfried, 1985; Seifert et al., 2003; Wood and Jones, 1995), the geographical region in which they are headquartered (Arulampalam and Stoneman 1995, Muller and Whiteman, 2009), the industry in which they operate (Amato and Amato, 2007), the presence of women on the board of directors (Williams, 2002), and the slack resources available (Amato and Amato, 2007; Seifert et al., 2004). However, much less is known about the relationship between the level of philanthropic expenditure and whether businesses manage their philanthropy strategically. From a welfare economic perspective, strategic philanthropy facilitates the need for companies to deploy their scarce resources in the most effective way (Maas, 2009; Saiia, 2001). Similar to the resources that are deployed for core business investments, one would expect that the returns from philanthropic activities are measured for strategic

development and planning purposes. Some studies have found a positive relationship between the height of donations and strategic philanthropic practices. These have been indicated by the measurement of social and business impact; attributed to companies' relative marginal returns (Tokarski, 1999); and pressures for accountability through visibility (Saiia et al, 2003). In general, one could expect higher philanthropic expenditures to be accompanied by more ambitious objectives. Consequently, a strategic approach would be required to enable the management of these objectives (Carroll, 2010). Higher philanthropic expenditures are also an important element in driving increased business exposure, which in turn increases legitimacy pressures from various stakeholders. These pressures might incentivise companies to manage their philanthropy more strategically (Saiia et al., 2003). Therefore, it is expected that companies that have high philanthropic expenditures are more likely to manage this philanthropy strategically.

Hypothesis 5:

There is a positive relationship between the level of a company's philanthropic expenditures and strategic philanthropy.

Corporate social performance

Wood (2010) has defined Corporate Social Performance (CSP) as a set of descriptive categorizations of business activities that focus on the impact and outcomes for society, stakeholders and the company itself. CSP is made up of several dimensions such as corporate citizenship, corporate governance, risk management, and environmental management. In the last 35 years, business and society research has focused largely on the relationship between CSP and corporate financial performance (e.g. Margolis et al., 2007). However, the nature of the CSP construct suggests that consequences to stakeholders and to society in general are at least equally important, if not more so (Wood, 2010), and thus should receive equal attention at minimum.

In general, it would be logical to assume that companies that are practicing CSP more intensely show greater concern over the strategic management of all their socially responsible activities. Although many companies engaged in corporate philanthropy long before they embraced the more contemporary CSP thinking, it is not unlikely that the strategic management that is required to run an effective CSP policy has had spillover effects on the management of the philanthropic activities. This would lead us to expect that because companies that actively engage in CSP are more likely to engage in strategic management of their social issues, they are therefore also more likely to approach their philanthropy more strategically. Thus, because CSP signals a more strategic approach by the company towards the relationship between the itself and its social context, active engagement in CSP is likely to increase the chance that a company engages in strategic philanthropy.

Hypothesis 6:

There is a positive relationship between the level of a company's Corporate Social Performance (CSP) and strategic philanthropy.

8.3.5. CSP as mediator

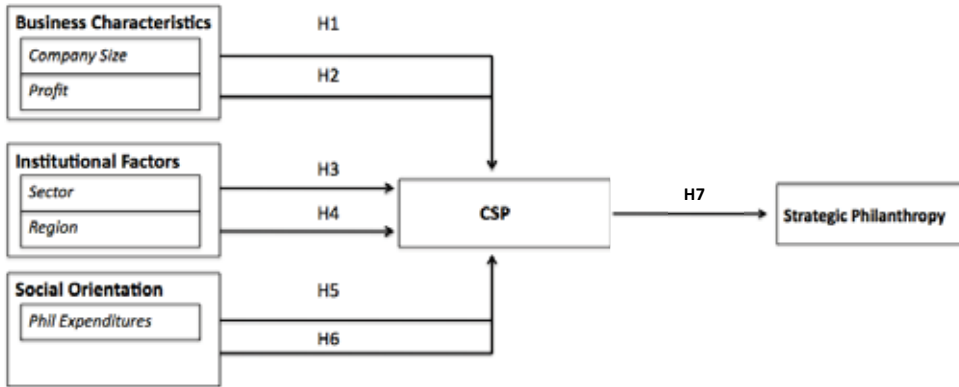
Because CSP and strategic philanthropy are closely related concepts, for meaningful empirical analyses it is important to firstly ensure that they are not a measure of the same construct. Although most companies were engaged in philanthropic activities long before they embrace the contemporary approach to CSP, it is unclear whether they are born from the same set of corporate motivations. The concepts could also be related in other ways, for example where the one is born out of the other, or, as is often argued in the recent literature on CSP, one is a replacement for the other (e.g. Whitehouse, 2006).

Empirical analysis of the correlation between the concepts will have to show the extent to which they indeed measure the same underlying construct. As table 8-2 shows, there is no correlation between the two concepts. However, it could still be the case that they do not relate to one another in a straightforward way. For example, it is important to consider that CSP could function as a mediator for strategic philanthropy. This means that CSP is the mechanism through which other business characteristics, institutional variables or the social orientation indicator of philanthropic expenditures are related to strategic philanthropy (see figure 8-2). Neglecting to test this possibility could result in falsely concluding a positive relation between the level of the independent variables and the level of strategic philanthropy. If CSP were indeed the mediator of these relationships, the levels of strategic philanthropy of the significant variables would only be higher because they cause higher levels of CSP, which consequently causes higher levels of strategic philanthropy.

Hypothesis 7:

The effects that the independent variables company size, profit, industry, region and philanthropic expenditures have on strategic philanthropy are mediated by CSP.

Figure 8-2 The mediator effect of CSP on the relationship between business characteristics, institutional factors, philanthropic expenditures and strategic philanthropy – conceptual model 2



8.4. Research design

Sample

To answer the question whether companies engage in strategic philanthropy, as indicated by their measurement of both business and social returns of their philanthropy, a sample from the Dow Jones Sustainability Index (DJSI World) was analysed. The DJSI is compiled annually by SAM Group (Sustainable Asset Management Group). Every year, SAM Group conducts an independent sustainability assessment of approximately 2,250 of the largest corporations around the world. According to the SAM Group, their index is comprised of the “most sustainable” companies in the world. The SAM Group Corporate Sustainability Assessment is based on the annual SAM Group questionnaire. It consists of an in-depth analysis taken from the answers to around 100 questions on economic, environmental, and social issues, and has a particular focus on the potential companies have for long-term value creation (Eccles et al., 2011). By limiting qualitative answers through predefined multiple-choice questions the questionnaire is designed to maximise the reporting of actual corporate behaviour. Moreover, companies are required to provide documentation to support their answers and this is used by SAM Group to verify the data collected. Eccles et al., (2011) have used data from SAM Group in their recent analysis of the role of corporate culture in shaping sustainability practices and they emphasized that the assessment, based on the SAM Group questionnaire, is supplemented with a Media and Stakeholder Analysis (MSA). The MSA allows SAM Group to identify and assess issues that may represent financial, reputational and compliance risks to the

companies under evaluation. For the MSA analysis, SAM Group utilizes media coverage, stakeholder commentaries, and other publicly available sources provided by RepRisk, an environmental and social dynamic data supplier. Finally, SAM Group analysts personally contact companies to clarify any issues that may arise from the questionnaire, the company documents, and the MSA analysis. External assurance of the SAM Group procedures ensures that the sustainability assessments supplied by companies are completed in accordance with the defined rules. Lastly, independent auditors regularly verify the annual selection process and methodology (DJSI Index Guide Book, version 11.5, January 2011).

Where Maas and Liket (2011) used a sample of companies that featured in the DJSI World from 2005-2007 (but not necessarily every year), the sample in this study adheres to a larger number of criteria: they are assessed by SAM Group and were included in the DJSI between 2006-2009; there is data on whether they measure impact on both business and society in all years between 2006-2009; there is data on their industry, region, size, philanthropic expenditures, and CSP for all years; and their profit data is available. These criteria resulted in a smaller but more complete sample of 262 companies as compared to the sample used by Maas and Liket (2011). The measures of all the variables, except for profit (EBIT), are based on the procedures selected and data collected by the SAM Group. The EBIT data in U.S. Dollars is collected from the CompuStat financial database.

Measures

Dependent variable. The dependent variable in the analysis measures whether companies simultaneously measure the business and social impact of their philanthropic activities. As discussed before, this measurement of the social and business impact is considered to be a very relevant proxy for the engagement of these companies in strategic philanthropy, which is defined as the management of corporate philanthropic activities that results in a positive impact for both the business and society (*strategic philanthropy*). Measurement of both the business and social impact is argued to be the only way to gain insight into these results. Thereby, impact measurement functions are a crucial prerequisite for strategic decision making and planning as they rely on the information produced by these measurements. As strategic philanthropy is understood to be different from other forms of corporate philanthropy – because of its ability to achieve results that better both the business and society – researching the intent of companies to achieve this impact would not provide a sufficient basis to imply that the company actually engages in strategic philanthropy.

In the DJSI questionnaire, companies¹⁸ are requested to indicate whether they systematically measure their impact on three dimensions: (1) direct business impact, (2) indirect business impact: reputation and stakeholder satisfaction, and (3) social impact. The dependent variable refers to the simultaneous measurement of this business and social impact. Therefore, the dependent variable consists of a combination of the three impact measurement dimensions of the DJSI questionnaire where it has a value of 1 when social and either one or both of the business dimensions are measured as well, and a value of 0 otherwise. It is important to note that there are limitations to the dichotomous representation of impact measurement that the DJSI data presents. This is because the scope and quality of these measurements can differ substantially between companies that pass the benchmark used by SAM Group to qualify for a positive score on this variable.

Table 8-1 provides descriptive statistics on the dependent variable. It shows whether companies in the sample (2006 – 2009: N = 262) measure both the social and business impact of their donations (value of 1 when they do, 0 when they don't), specified towards different company sizes, level of profit, industries, regions, height of philanthropic expenditures and level of CSP.

Independent variables. Three sets of predictor variables are considered in the analyses: business characteristics, institutional variables and social orientation variables. Company size and profit are the business characteristics. SAM Group classifies companies by three dummy categories of company size, which is based on market capitalization (*company size*). This represents the company's value on the stock market, and is compiled from the number of outstanding shares multiplied by the share price.

¹⁸ The exact question in the DJSI questionnaire is: Does your company have a system in place to systematically measure the impact of your company's contributions in order to further improve/re-align the company's philanthropic/social investment strategy:

(1) Business outcomes and impact (e.g., product innovation)
(2) Social outcomes and impact
(3) Impact on corporate reputation and stakeholder satisfaction

Table 8-1 Engagement in strategic philanthropy (yes = 1, no = 0) indicated by the measurement of business and social impact specified to business characteristics, institutional factors, and social orientation (N=262)

	2006	2006	2007	2007	2008	2008	2009	2009
	(0)	(1)	(0)	(1)	(0)	(1)	(0)	(1)
Total	61	39	56	44	48	52	40	60
By Company Size								
Large	58	42	54	46	46	54	39	61
Mid	68	32	71	39	57	43	43	57
Small	100	0	75	25	75	25	50	50
By Profit								
<5,000	84	16	70	30	70	30	58	42
5,000-15,000	58	42	58	42	44	56	36	64
15,000-50,000	48	52	46	54	45	55	33	67
>50,000	57	43	52	48	44	56	33	67
By Sector								
Telecommunications	46	54	46	54	54	46	38	62
Oil & Gas	60	40	53	47	47	53	57	53
Health Care	59	41	65	35	47	53	18	82
Financials	72	28	56	44	56	44	50	50
Technology	65	35	75	25	55	45	40	60
Utilities	30	70	23	77	23	77	19	81
Consumer Services	67	33	52	48	44	56	44	56
Basic Materials	60	40	57	43	53	47	43	57
Consumer Goods	58	42	60	40	52	48	40	60
Industrials	72	28	60	40	50	50	47	53
By Region								
Latin-America	50	50	0	100	0	100	0	100
Asia	50	50	67	33	50	50	50	50
Pacific	83	17	50	50	42	58	42	58
North America	60	40	52	48	47	53	37	63
Japan	71	29	67	33	61	39	57	43
Europe	56	44	54	46	45	55	35	65
By Philanthropic Expenditures								
>3%	56	43	61	39	38	62	41	59
1-3%	51	49	48	52	41	59	32	68
0.6-1%	55	45	52	48	49	51	34	66
0.2-0.6%	62	38	52	48	41	59	34	66
<0.2%	67	33	64	36	65	35	69	31
By CSP								
<50	93	7	80	20	100	0	100	0
<65	75	25	73	27	80	20	78	22
<85	53	47	53	47	45	55	39	61
>85	61	39	43	57	30	70	25	75

Note: All numbers are percentages

SAM Group distinguishes between three categories: (1) Large Cap companies have market values of greater than \$8 billion, (2) Mid Cap companies have market values in the \$1 billion to \$8 billion range, and (3) companies with a market value below \$1 billion are considered Small Cap. Profit is measured using data on earnings before interest and taxes (EBIT) (*profit*). In the study of McGuire et al. (1988), the results showed that accounting-based measures of financial performance

proved to be a better predictor of corporate social responsibility than the market-based measures. The EBIT data is compiled from the CompuStat financial database.

The institutional variable industry uses the SAM Group classifications, which distinguishes between ten dummy categories (*industry*): (1) Oil and Gas, (2) Technology, (3) Financials, (4) Industrials, (5) Basic materials, (6) Utilities, (7) Consumer services, (8) Consumer goods, (9) Telecommunications, and (10) Health care. The same holds for the institutional variable region, where the locations of the companies' headquarters are divided over six regions for which dummy variables are created (*region*): (1) North America, (2) Europe, (3) Pacific Rim (Australia and New Zealand), (4) Asia, (5) Latin America, and (6) Japan.

Social Orientation is measured with two variables. The first is the philanthropic expenditures of the companies, which is based on categories defined by SAM Group in the DJSI, where relative philanthropic expenditures are measured as a percentage of EBIT (*philanthropic expenditures*). The second social orientation variable is corporate social performance, which is measured by the total score on the DJSI questionnaire as calculated by the SAM Group. This ranges from 0 to 100 for each specific year (*corporate social performance*).

SAM Group enquires into the social corporate performance of companies on the basis of three dimensions: economic, environmental and social. The economic dimension consists of the criteria corporate governance, risk and crisis management, codes of conduct/ compliance/ corruption/ bribery, and a set of industry specific criteria such as brand management and gas portfolio. The environment dimension includes the criteria environmental reporting and a number of industry specific criteria such as eco-efficiency and product stewardship. Human capital development, talent attraction and retention, labour practice indicators, corporate citizenship and philanthropy, social reporting and industry specific criteria such as bioethics and healthy living, make up the social dimension. As described before, the SAM Group is responsible for compiling the DJSI questionnaire and uses the required company documentation to check the self-assessed questionnaires and contacts companies when needed for clarification of the answers (DJSI Index Guide Book, version 11.5, January 2011).

Although corporate philanthropy counts for less than 5% of the overall CSP score on the DJSI questionnaire, to control for endogeneity the total score used to determine a company's CSP has been corrected for the points it had earned for philanthropic expenditures and impact measurement, which respectively function as an independent and dependent variable in this study. Therefore, it is important to ensure that the variables are not measuring the same underlying construct, as this would result in false conclusions being drawn on the basis of the findings. Although all the three variables – CSP,

philanthropic expenditures, and strategic philanthropy – are actions that better society, the lack of correlations between them shows that they are not different measures of the same construct (table 8-2).

It is important to note that it has been argued that DJSI data is not suited to reflect a company's CSP as it would put too much emphasis on financial measures, and relies too heavily on companies' self-reporting (Crane and Matten, 2007; Fowler and Hope, 2007). Some studies also present a more fundamental critique against the use of DJSI data, arguing that DJSI-type rankings do not represent CSP, but solely signal companies' efforts to influence their reputations positively (Cho and Patten, 2007; Hughes et al., 2001; Patten, 2002). Cho, et al (2012) concluded that the relationship between the corporate social reporting of environmental companies and the subsequent listing of companies in these rankings are actually negatively related to CSP (Cho, et al., 2012). They argued: "companies use voluntary environmental disclosure to offset the potential reputational effects of poor environmental performance" (Cho, et al., 2012: 15). However, it is important to recognize the limitations and context-specificity in generalizing the findings of these studies to use DJSI data as a measure of CSP. First, all of these studies have focused on environmental reporting specifically, often using samples of firms that are based in the U.S. and also subject to enhanced environmental exposure (Alciatore, Dee and Easton, 2004; Clarkson, Richardson and Vasvari, 2008; Patten, 1992). This could result in an overestimation of this negative relation between CSP and reporting, something confirmed by the findings of Cho, et al (2012), where their sample of firms that are subject to greater environmental exposure (e.g., oil) were worse performers than the average of firms in other industries. In contrast, this study includes a sample of companies from a wide range of the industries and countries listed in the DJSI. Second, while it is important to recognize the possible risk of companies only performing in the areas of CSP that relate to the questions on the DJSI – implying that DJSI rankings might stimulate a 'checklist' approach to CSP and thereby potentially decreasing incentives to go beyond the required aspects of CSP – this does not decry the value of DJSI data as a measure of CSP. Notwithstanding, companies still need to perform on the aspects included in the DJSI. Although it is recognized that the DJSI data might not be a perfect representation of CSP, in light of our study it is believed that the DJSI data is a useful measure of CSP.

Statistical procedures

The results of the correlations between the variables show (table 8-2) that there are no high correlations between any of the variables. There is a very low and negative correlation between the independent variables philanthropic expenditures and CSP, which indicates that companies with a higher percentage of philanthropic expenditures on average score relatively lower on their overall CSP. These low correlations ensure that these two independent social orientation variables are measures of different constructs. Where the correlations between the independent variable philanthropic

expenditures and the dependent variable strategic philanthropy are very low (around 0.1), the correlations between CSP and strategic philanthropy are a bit higher (around 0.3). However, we must also be aware that the low correlation between the independent variable CSP and dependent variable strategic philanthropy causes slight multicollinearity in the analyses, thereby reducing the power of the test coefficients (Baron and Kenny, 1986).

Table 8-2 Pearson correlations matrix of CSP, philanthropic expenditures, and strategic philanthropy (N=262)

Variables	CSP 2006	Exp 2006	CSP 2007	Exp 2007	CSP 2008	Exp 2008	CSP 2009	Exp 2009
CSP 2006	x							
Exp 2006	-0.0622	x						
SP 2006	0.2561	0.1188						
CSP 2007			x					
Exp 2007			-0.021	x				
SP 2007			0.1437	0.0414				
CSP 2008					x			
Exp 2008					0.0221	x		
SP 2008					0.3247	0.1302		
CSP 2009							x	
Exp 2009							-0.0057	x
SP 2009							0.3592	0.376

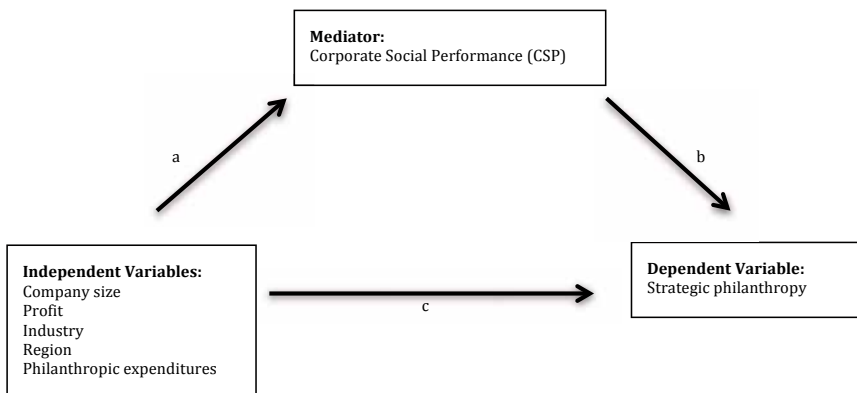
Note: * p<0.05 and ** p<0.1

Due to the dichotomous nature of the dependent variable, probit analyses are used to test the hypotheses. Probit analysis provides estimate coefficients corresponding to each category of the independent variables. These coefficients have to be interpreted relative to the reference categories that most frequently occur in the sample. The reference categories for the categorical variables of company size, industry and region are respectively: Large Cap, Industrials and Europe. The joint significance of the categories of all variables is investigated by means of a likelihood ratio test. If the resulting p-value is large (P>.05), it can be assumed that this specific variable has no significant influence.

To prevent falsely concluding that the hypothesized independent variables have a direct positive relation to strategic philanthropy, the possibility of CSP functioning as a mediator in these relationships is tested. The procedures for mediator testing as outlined by Baron and Kenny (1986) are followed in this paper. First, there must be a relationship between the independent variable and the mediator (CSP) (a). Second, the mediator (CSP) must relate to the dependent variable (strategic philanthropy) (b). Third, when controlling for the mediator variable (CSP), the previous existent relationship between independent and dependent variables should significantly reduce (c). To be able

to conclude that there is a complete mediating effect, the previously existent relationship (model 1) should reduce to zero when including the mediator variable in the model (model 2). Because numerous independent variables are predicted to directly cause the mediator (a), there is multicollinearity in the model that includes the mediator (model 2) which results in reduced power in the test of the coefficients. Therefore, not only the significance but also the absolute size of the coefficients should be considered (Baron and Kenny, 1986).

Figure 8-3 Mediator effect of CSP



8.5. Results

The first condition of the hypothesized mediator effect of CSP depends on a significant relationship between the independent variables and CSP. The results of the first condition are presented in table 8-3 below.

Table 8-3 Regression analyses of the independent variables and CSP

	CSP		CSP	
	2009 (N=262)	2008 (N=262)	2007 (N=262)	2006 (N=262)
	B(SE)	B(SE)	B(SE)	B(SE)
Constant	72.51* (2.55)	74.54* (2.63)	74.45* (2.97)	77.47* (3.04)
Philanthropic Expenditure	0.85 (0.77)	-0.63 (0.88)	1.28 (0.93)	-2.08* (0.10)
Profit	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00** (0.00)
Strategic Philanthropy	3.73* (0.56)	3.41* (0.58)	2.18* (0.61)	2.64* (0.65)
Industry (ref.cat.: Industrials)				
Oil & Gas	2.43 (2.31)	-.29 (2.42)	1.99 (2.78)	-0.91 (2.92)
Technology	0.48 (1.93)	0.88 (2.04)	-0.02 (2.34)	2.64 (2.51)
Financials	-8.54* (2.01)	-5.86* (2.42)	-3.23 (2.76)	-3.91 (2.90)
Basic Materials	-6.04* (1.62)	-6.27* (1.75)	-5.43* (2.05)	-5.97* (2.12)
Utilities	1.15 (1.74)	0.84 (1.81)	1.89 (2.10)	2.16 (2.24)
Consumer Services	6.87* (1.64)	4.66* (1.73)	5.12* (1.98)	3.95** (2.07)
Consumer Goods	1.60 (1.32)	2.97* (1.40)	1.60 (1.61)	2.27 (1.77)
Telecom	-5.28* (2.29)	-6.24* (2.41)	-6.95* (2.76)	-7.68* (3.01)
Health	5.31* (2.14)	8.35* (2.29)	5.98* (2.62)	7.63* (2.75)
Company Size (ref.cat.:Large Cap)				
Mid Cap	-4.69* (1.93)	-4.83* (2.01)	-5.95* (2.37)	-8.94* (2.46)
Small Cap	7.03* (3.45)	9.79* (3.63)	10.31* (4.15)	15.47* (4.34)
Region (ref.cat.: Europe)				
Latin America	4.81 (5.42)	7.07 (5.70)	7.49 (6.55)	8.91 (6.83)
Asia	0.05 (3.23)	-1.52 (3.40)	2.76 (3.92)	0.65 (4.07)
Pacific	2.76 (2.54)	1.69 (2.68)	0.71 (3.10)	1.75 (3.22)
North America	-1.30 (1.64)	-0.67 (1.74)	-2.31 (1.98)	-1.50 (2.07)
Japan	-7.28* (1.76)	-6.49* (21.84)	-7.42* (2.10)	-7.02* (2.21)
R2	0.3866	0.3413	0.2465	0.2587
Adjusted R2	0.3387	0.2892	0.1869	0.1980
F-value	8.06	6.55	4.13	4.26
df	19	19	19	19

Note: In this table the beta (B) and standard errors (SE) are reported. * p<0.05 and ** p<0.1

Only the significant independent variables could thus possibly be subject to the mediator effects of CSP. The results from the regression of CSP and strategic philanthropy are presented in table 8-4, illustrating that CSP is indeed a significant explanatory factor of strategic philanthropy. Consequently, the presence of a mediator effect on the relationship between the independent variables and strategic

philanthropy is dependent on the change in the power of the direct relationship between these variables (model 1) and their power when including the mediator CSP (model 2). Probit analyses, corrected for the likelihood that tests verify whether the relations are significant, are used to analyse whether the independent variables are indeed significantly predictive of the dependent variable. The results of the probit analyses of both model 1 and model 2 are presented in table 8-5.

Table 8-4 Regression analyses of CSP and strategic philanthropy

	Strategic Philanthropy	Strategic Philanthropy	Strategic Philanthropy	Strategic Philanthropy
	2009 (N=262)	2008 (N=262)	2007 (N=262)	2006 (N=262)
	B(SE)	B(SE)	B(SE)	B(SE)
Constant	- 1.35* (0.55)	- 1.32* (0.57)	-0.20 (0.58)	-1.08** (0.58)
CSP	0.04* (0.01)	0.04* (0.01)	0.02* (0.01)	0.03* 0.01
R2	0.2548	0.2445	0.1889	0.2385
Adjusted R2	0.1966	0.1847	0.1246	0.1762
F-value	4.37	4.09	2.94	3.83
<i>df</i>	19	19	19	19

Note: In this table the beta (B) and standard errors (SE) are reported. * $p < 0.05$ and ** $p < 0.1$

Business characteristics

For model 1, in which the direct effects of the business characteristics on strategic philanthropy were tested, the results show that in 2006, MidCap companies engage less frequently in strategic philanthropy relative to LargeCap companies. In none of the other years are any of the company size dummy variables found to be statistically significant predictors of strategic philanthropy. However, these findings could be due to the categories SAM Group uses to classify company size. There is a partial reverse-mediator effect of CSP on the relation between company size and strategic philanthropy in 2006 (from Beta -2.64 [model 1] to -1.67 [model 2], both at a 5% significance level) (table 8-5), implying that in 2006, better CSP is one of the mechanisms through which larger companies are more likely to engage in strategic philanthropy. Because the reduction in explanatory power is only small, other important mechanisms contribute to the relationship between company size and engagement in strategic philanthropy. The only exception is the year 2006, where it only holds for LargeCap companies relative to MidCap companies and is partially reversed-mediated by CSP. Overall the evidence thus does not support hypothesis 1, which predicts larger companies engaging in strategic philanthropy more frequently.

Table 8-5 Probit analyses of strategic philanthropy based on conceptual model 1 with no mediation effect, and conceptual model 2 with a hypothesized mediation effect of CSP

	2009		2008	
	Model 1	Model 2	Model 1	Model 2
	B (SE)	B (SE)	B (SE)	B (SE)
Constant	0.61* (0.03)	-4.12* (0.86)	0.40 (0.33)	-4.36* (0.93)
Company Size (ref. cat.: Large Cap)				
Mid Cap	0.01 (0.29)	-0.12 (0.30)	-0.07 (0.29)	-0.33 (0.29)
Small Cap	-0.36 (0.52)	-0.06 (0.52)	-0.30 (0.52)	0.06 (0.50)
Profit	0.00 (0.00)	0.00 (0.14)	0.00 (0.00)	0.00 (0.00)
Industries (ref. cat.: Industrials)				
Oil & Gas	-0.42 (0.35)	-0.16 (0.40)	0.00 (0.34)	0.08 (0.39)
Technologies	0.16 (0.29)	0.25 (0.29)	-0.05 (0.28)	0.23 (0.29)
Financials	-0.65* (0.32)	-0.44 (0.33)	-0.40 (0.35)	-0.37 (0.36)
Basic Materials	-0.04 (0.24)	-0.09 (0.26)	-0.07 (0.24)	0.08 (0.27)
Utilities	0.63* (0.28)	1.16* (0.33)	0.75* (0.28)	1.13* (0.31)
Consumer Services	-0.24 (0.25)	-0.71* (0.28)	0.02 (0.24)	-0.40 (0.28)
Consumer Goods	0.09 (0.20)	-0.07 (0.21)	-0.02 (0.20)	-0.10 (0.21)
Telecommunications	-0.23 (0.35)	-0.11 (0.39)	-0.28 (0.34)	-0.33 (0.39)
Health Care	0.69** (0.39)	0.33 (0.40)	-0.15 (0.33)	-0.28 (0.39)
Region (ref.cat.: Europe)			0.00	
Latin-America	5.36 (0.00)	5.25 (0.0)	5.14 (0.0)	5.01 (0.0)
Asia	-1.25* (0.43)	-1.32* (0.44)	-1.08* (0.42)	-0.99* (0.44)
Pacific	-0.80* (0.33)	-1.01* (0.35)	-0.80* (0.33)	-0.79* (0.35)
North-America	-1.11* (0.21)	-1.14 (0.22)	-1.12* (0.20)	-1.15* (0.21)
Japan	-1.44* (0.20)	-1.0* (0.23)	-1.36* (0.21)	-1.26* (0.23)
Philanthropic Expenditures	0.27* (0.13)	0.21 (0.14)	0.32* (0.14)	0.32* (0.15)
Corporate Social Performance		0.07* (0.01)		0.07* (0.01)
x2	31.87*	80.38*	24.45	75.47*
2 Log Likelihood	-160.67	-140.12	-167.37	-141.46
Pseudo R2 (Nagelkerke)	0.09	0.22	0.07	0.21

Note: model 1 does not include CSP, model 2 does include CSP. In this table the beta (B) and standard errors (SE) are reported. * p<0.05 and ** p<0.1

Table 8-5 (cont.)

	2007	2007	2006	2006
	Model 1	Model 2	Model 1	Model 2
	B (SE)	B (SE)	B (SE)	B (SE)
Constant	0.52 (0.33)	-3.28* (0.88)	-2.64* (0.27)	-6.05* (0.89)
Company Size (ref. cat.: Large Cap)				
Mid Cap	-0.10 (0.29)	-0.24 (0.30)	-2.64* (0.27)	1.67* (0.16)
Small Cap	-0.16 (0.51)	-0.06 (0.51)	-3.93 .	-4.01 .
Profit	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Industries (ref. cat.: Industrials)				
Oil & Gas	0.01 (0.34)	-0.12 (0.38)	0.04 (0.36)	-0.32 (0.42)
Technologies	-0.50** (0.30)	-0.41 (0.31)	-0.02 (0.30)	-0.11 (0.31)
Financials	-0.12 (0.34)	-0.10 (0.35)	-0.74** (0.38)	-0.60 (0.40)
Basic Materials	0.09** (0.25)	0.43 (0.27)	0.21 (0.25)	0.37 (0.28)
Utilities	0.86* (0.27)	0.95* (0.29)	0.93* (0.27)	1.05* (0.28)
Consumer Services	0.01 (0.24)	-0.40 (0.28)	-0.19 (0.25)	-0.62* (0.30)
Consumer Goods	-0.11 (0.20)	-0.22 (0.21)	0.10 (0.21)	0.22 (0.22)
Telecommunications	0.14 (0.34)	0.31 (0.37)	0.15 (0.35)	0.47 (0.38)
Health Care	-0.41 (0.34)	-0.27 (0.38)	-0.31	-0.27 (0.37)
Region (ref.cat.: Europe)				
Latin-America	5.32 '(0.0)	5.42 '(0.0)	0.28 (0.89)	0.49 (0.90)
Asia	-1.33* (0.44)	-1.71* (0.55)	0.29 (0.47)	-0.54 (0.59)
Pacific	-0.92* (0.34)	-0.87* (0.37)	-0.61 (0.44)	-0.49 (0.48)
North-America	-0.93* (0.20)	-0.88* (0.23)	-0.10 (0.26)	0.20 (0.28)
Japan	-1.23* (0.21)	-1.06* (0.24)	-0.14 (0.28)	0.02 (0.31)
Philanthropic Expenditures	0.12 (0.13)	-0.12 (0.15)	0.16 (0.13)	0.12 (0.14)
Corporate Social Performance		0.06* (0.01)		0.05* (0.01)
x2	23.92	62.21*	36.45*	63.42*
2 Log Likelihood	-167.49	-143.40	-152.93	-130.27
Pseudo R2 (Nagelkerke)	0.07	0.18	0.11	0.20

Note: model 1 does not include CSP, model 2 does include CSP. In this table the beta (B) and standard errors (SE) are reported. * p<0.05 and ** p<0.1

Contrary to our expectations, the business characteristic profit also has no effect on whether companies engage in strategic philanthropy [model 1] (table 8-5). Again, this finding could be driven

by the operationalization of the concept of profit. This could relate either to the categories SAM Group uses to classify profit or because profit has been based on EBIT data. As profit does not significantly relate to CSP, there was no mediator effect. Hypothesis 2, which expected companies with higher profits to relatively more frequently engage in strategic philanthropy, is not supported.

Institutional factors

The first institutional variable is the industry in which companies operate. Companies in the industry classification Industries are significantly more likely than those in the Technologies (2007) and Financials (2006 and 2009) industries, but significantly less likely than the Health (2009), and the Utilities (all years) industries, to engage in strategic philanthropy [model 1] (table 8-5). As one can see from table 8-3, only a few industries significantly relate to CSP and could thus possibly be subject to a mediator effect. In 2009, both the Financials and the Health industries significantly predict higher levels of strategic philanthropy (table 8-3) and are partially mediated by CSP as they lose significance but do not reduce to zero when CSP is included in the model [model 2] (table 8-5). Other mediation effects are a partial reverse effect on companies in the Basic Materials industry in 2007, and a partial reverse-mediator effect on companies in the Consumer Services industry in 2009. Hypothesis 3 – which expected differences to exist between industries in the extent to which strategic philanthropy is practiced – thus could be said to hold on the basis of these findings, whilst in half of the instances it is mediated by CSP and is thus not a direct effect of the industry in which a company operates.

All the categories of the institutional variable region, except for Latin America, are negatively related to the likelihood of engaging in strategic philanthropy when compared to the reference region Europe in the years 2009-2007 [model 1] (table 8-5). In all the years except for 2006, European companies are found to be most likely to engage in strategic philanthropy as compared to companies from the other regions with the exception of Latin America. This effect is not due to better CSP in European companies, except as compared to Japanese companies where the increased likelihood of engaging in strategic philanthropy is partially mediated by the CSP of the European companies [model 2] (table 8-5). This evidence supports hypothesis 4, as the regions in which companies are headquartered indeed influences the extent to which they engage in strategic philanthropy, although this effect is mediated by CSP in the case of Japanese companies relative to European companies.

Social Orientation

In 2008 and 2009, companies with higher philanthropic expenditures were more likely to engage in strategic philanthropy [model 1] (table 8-5). This effect cannot be mediated by CSP, as philanthropic expenditures do not significantly relate to CSP (table 8-3). Hypothesis 5 is thus partially supported for

the years 2008 and 2009. CSP is the most important predictor of companies practicing strategic philanthropy, as it is highly significant in all years [model 2] (table 8-5), thus strongly supporting hypothesis 6. Overall, the social orientation measures are the most important indicators of whether a company engages in strategic philanthropy. This implies that strategic philanthropy is most likely to be practiced when a company's overall social orientation is better. The correlations (table 8-3) show that this is not because the variables strategic philanthropy, philanthropic expenditures, and CSP measure the same construct.

8.6. Discussion and Conclusion

In the literature, a strong shift towards strategic philanthropy has been described, which is conceptualized in a variety of ways. One conceptualization that is dominant in the contemporary literature understands strategic philanthropy as a new type of corporate philanthropy whereby both business and society benefit from corporate philanthropic activities (Porter and Kramer, 2002; Thorne et al., 2003). However, there is a lack of empirical studies that provide insight into the engagement of companies into this practice of strategic philanthropy.

The engagement of companies in strategic philanthropy, which is defined as the management of philanthropic activities in a way that results in a positive impact for both the business and society, is studied empirically. The engagement of companies in strategic philanthropy is not easy to measure. For example, self-identification or other indicators of intent are unable to capture engagement in strategic philanthropy, as it is understood to be about management for the achievement of business and social results. Therefore, a proxy is used to capture whether firms engage in strategic philanthropy, which is the systematic simultaneous measurement of the business and social impact of the company's philanthropic activities. The analyses were performed with a sample of companies (N=262) from the Dow Jones Sustainability Index (DJSI World) over the years 2006 – 2009. The descriptives showed that 39% of companies in 2006 and up to 60% in 2009 measured the impact of their donations on both business and society.

A company's social orientation, and especially its level of CSP, is found to be the most important driver of its engagement in strategic philanthropy. Correlations show that this is not due to an interrelation of the concepts of strategic philanthropy, philanthropic expenditures, and CSP. These results indicate that the general approach a company takes towards its CSP is an important predictor of its engagement in strategic philanthropy. This positive relationship between CSP and strategic philanthropy contrasts with previous conceptualizations of CSP as a replacement of corporate philanthropy (Porter and Kramer, 2006; Bowen, 1953). Instead, the results indicate that better performance of companies in taking their social responsibilities has positive spill-over effects on their

philanthropic practices, in that it makes them more likely to more strategically manage their philanthropic activities and simultaneously achieve business and social results.

Moreover, it is found that the institutional environment influences whether companies are engaged in strategic philanthropy. The relative higher likelihood to engage in strategic philanthropy for companies that are in the industries Utilities and the Industries, especially as compared to the Technologies and Financial industries, could be due to a general perception that these companies operate in 'dirty' industries, which increases the need for them to employ legitimacy strategies. This finding lends support to the findings by Chen et al. (2007) that engagement in strategic philanthropy is often a legitimization strategy. There is a strong regional effect, where European companies engage most frequently in strategic philanthropy, except in 2006 and for companies headquartered in Latin America. This is in line with the findings from Aguilera and Cuervo-Cazurra (2004), who found that European institutional investors and companies pay greater attention to long-term environmental and social risks. Contrary to our expectations, the evidence does not support a positive relationship between the business characteristics company size and profit, and engagement in strategic philanthropy. However, this could be due to the categories the SAM Group, which collects the data, has used to classify companies. Although slack resource theory is often used to explain the height of philanthropic expenditures, the lack of an effect of profit implies that in this instance slack resource theory is not an appropriate theory to explain whether companies are strategic in the management of philanthropy.

The findings from this study imply that companies that engage in strategic philanthropy, as indicated by their systematic measurement of business and social impact, are empirically distinct from those practicing corporate philanthropy and measurement either types of impact. In their study that focused on companies who measured either the business or social effects of their corporate philanthropy, Maas and Liket (2011) found that it were mostly firms in the Financials industry who were likely to measure impact. Moreover, not only European but also North American companies were found to be more likely to measure impact, just as larger firms and firms with relatively higher philanthropic expenditures were found to be more likely to measure impact. A comparison between the findings of this study by Maas and Liket (2011) and our study indicates that explanations of companies' engagement in impact measurement, as a product of professionalization of corporate responsible behaviour and regional differences in accounting practices, are not sufficient to explain the practice of simultaneous measurement of business and social impact.

Our results seem to indicate that stimulating companies to engage in strategic philanthropy is probably not a product of enhancing the accounting and measurement practices of the philanthropic activities of companies, or a general enhancement of professionalization of its social activities. Rather, if

engagement in strategic philanthropy is indeed stimulated by the overall social performance of companies as our results imply, focus on the enhancement of companies' CSP seems to be more effective.

As discussed in multiple instances throughout the paper, one could raise criticism of the variables used to measure both strategic philanthropy and CSP. Therefore, in this study the effect of the measurement validity of our variables on the interpretation of our results have to be considered. It should be kept in mind that it is not know if, in the instances that a company does measure the business and social impact of their philanthropic activities, these measurement results are actually used to inform strategic decision-making and improve performance. Next to this, if our proxy for strategic philanthropy – the measurement of both social and business impact – is unable to capture the presence of strategic philanthropy in the companies in our sample, the interpretation of the results should be limited to the simultaneous measurement of business and social impact itself. That is, our study would be limited to showing that CSP is the most important explanatory factor for measurement of both business and social impact of philanthropic activities. These findings would support the conclusions from previous research by Maas and Liket (2011), who found an increasing trend in the measurement of social and/or business impact between 2005-2007, where 62-76% of the companies in their sample measured at least one dimension of impact – mostly social impact or a measure of indirect business impact (reputation and stakeholder satisfaction).

It is important to note that this study suffers from several limitations. First of all, the results have to be interpreted with appropriate reservations as the analyses have been performed with secondary data from the SAM Group, which compiles the yearly DJSI from which our sample is drawn. Although the SAM Group makes extensive efforts to check the accuracy of the answers provided, their list is subject to verifiable and often reporting-related issues that might not accurately represent the overall entrenchment of CSP in the organization. Next to that, companies included in the DJSI are among the sustainability leaders in their industries, and are therefore arguably already relatively more likely to engage in strategic philanthropy. Next to collecting a more representative sample, further research could also attempt to create a larger cross-national sample of companies to increase the external validity of the findings. Wood (2010) pleads for a reinvigoration of the CSP concept by focusing on the principles, processes and outcomes of business behaviour that are particularly relevant for stakeholders and society. Future research could focus on decision-making processes in the measurement of impact and strategic management of philanthropic activities. Rigorous qualitative analyses, for example, through multiple case studies, could offer more insight into these processes and motivations. Moreover, it would be interesting to analyse the differences between companies focusing on business impact, social impact or on both impact types. Next to a focus on who measures what,

more efforts are needed to reveal the methods and indicators used by companies in measuring this impact. In the end, measurement is only useful if the indicators that are measured help managers to optimise their activities, and are useful in strengthening their effectiveness.

Chapter 9

Is Contemporary Corporate Social Responsibility a Rationalized Myth?¹⁹

Abstract

In contrast to most of the management and nomothetic theories of corporate social responsibility (CSR), a process model is proposed that takes sequence and ordering to be critical to increase our understanding of the rapid adoption and institutionalization of CSR. The literature on CSR, which largely portrays CSR as a static event where institutional factors are either triggers or facilitating conditions, is reinterpreted to conceptualize its history through a process lens that reveals the sequential phases in the institutionalization process of CSR. This process model points to four distinct phases in the institutionalization of CSR. Taking a process perspective helps us understand the trend that has been identified by multiple authors in the CSR management literature, where, even though evidence of its instrumental benefits is scarce, CSR has evolved from a widely contested idea to one of the most accepted business concepts.

¹⁹ This chapter is based upon:

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9.1. Introduction

“Corporate social responsibility (CSR) has been transformed from an irrelevant and often frowned-upon idea to one of the most orthodox and widely accepted concepts in the business world during the last twenty years or so.” (M.P. Lee, 2008, p.53)

Corporate engagement in activities that relate to social responsibility has become a true “global trend” (Halme, Roome and Dobers, 2009, p.1). In the 1970s and 1980s only the largest and most visible Multinational Corporations (MNCs) were reacting to pressures to behave in socially responsible ways. Nowadays a great proportion of all organizations, whether operating at the national, regional, or local level, and whether MNCs or small and medium enterprises (SMEs), proactively engage in Corporate social responsibility (CSR) (Doh and Guay, 2006; Freeman and Venkataraman, 2002; Habisch and Schmidpeter, 2004; Lee, 2008; Spence, Moore and Spence, 2006). As the movement of CSR snowballed, the social behaviour of corporations received hyperactive attention from the media, and become a prime subject of debates in academia, business schools, and the general public (McWilliams, Siegel and Wright, 2006).

The global trend of corporations taking responsibility for society has undergone a tremendously rapid process of institutionalization. Whereas CSR entered the general public’s consciousness in the 1980s, the 2000s mark the promotion of CSR by national governments and major MNCs (Bondy, 2009; Lee, 2008). For example, the United Nations developed CSR guidelines and standards, such as the ‘UN Global Compact’; the International Labor Organization launched its ‘Decent Work Agenda’; and the Organization for Economic Co-operation and Development published numerous reports and policies, some which even specifically target and encourage SMEs to engage in CSR (CEC, 2005; CEC, 2006; Lee, 2008). Many non-governmental organizations (NGOs) actively promote CSR, such as the Global Reporting Initiative, which provides a sustainable reporting framework for companies (Bondy, 2009). Additionally, business schools have actively integrated CSR into the curricula of their education programs, and the body of academic literature on CSR grows expeditiously (Aguinis and Glavas, 2012; Margolis and Walsh, 2003).

Despite the rich literature on CSR, our understanding of the institutionalization process of CSR is very limited. As the recent extensive literature review by Aguinis and Glavas (2012) illustrated, the literature on CSR exists of theories that have mostly been of a nomothetic nature with predominantly static perspectives on CSR. The foci has been on increasing the understanding of the relationship between CSR and certain business outcomes, and on explaining which firms are more or less likely to engage in CSR. Little attention has been paid to understanding what has motivated different types of companies to engage in CSR over time. As Sahlin-Andersson has put it “It must be stressed that it is far from clear what CSR stands for, what the trend really is, where it comes from, where it is heading

and who the leading actors are” (2006, p.595). Despite this limited knowledge, and the conclusions of the more methodologically rigorous studies that the business outcomes of CSR are “mixed at best”, management researchers have grown increasingly confident in assuming the instrumental value of CSR (Aguilera, Rupp, Williams and Ganapathi, 2007; Blowfield and Frynas, 2005; Kossek, Das and DeMarr, 1994, p.1122; Lee, 2008; McWilliams and Siegel, 2000; Viswanathan, 2010).

This paper is therefore a response to the gap in our knowledge about the institutionalization of CSR. First, a sample of important literature reviews of CSR is studied. These reviews are found to have focused on the evolution of the theory of CSR, the evolution of the concept of CSR, and the empirical evidence of the instrumental value of CSR. However, limited attention has been paid to the factors that motivate companies to engage in CSR, and most reviews refrain from taking account of the temporal aspect of the literature. Next, the few studies that these reviews reveal to have focused on attempting to explain why specific types of companies engage in CSR at a specific point in time are studied deeper. While these studies provide some insight into the role institutional context plays in motivating specific types of companies to start practicing CSR, they do not paint a holistic picture of the process through which CSR has become widely institutionalized. The literature is revisited in the second half of this paper, and categorized it into three time periods that emerge from the reviews (pre-mid 1990s, mid 1990s to the 2000s, and from the 2000s to the present day), which enables us to identify studies that shed light on the factors that have motivated specific types of companies to engage in CSR at a specific point in time. On the basis of this, four distinct phases in the institutionalization process of CSR are identified: 1) Reactive CSR, 2) Isomorphistic CSR, 3) Rationalized CSR, and 4) Proactive CSR. These phases provide a vital perspective on our conceptualization of CSR, as they contain an alternative view on the role of businesses in society. Finally, a number of risks that accompany the current status of the concept of CSR are briefly discussed, and some consequences of our findings for future research of CSR are discussed.

9.2. Contemporary CSR: Beyond Doing No Harm

In his authoritative work on CSR, Davis (1973) defined the concept as: “The firm’s considerations of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social [and environmental] benefits along with the traditional economic gains which the firm seeks” (p.312). These social elements of CSR span a wide range of issues, some of which have long been understood as being integral to sound business practices in some cultures such as business ethics (e.g., labor standards) or environmental responsibility (e.g., pollution policies) (Campbell, 2007; Lockett, et al., 2006; McWilliams et al., 2006). However, it is only in the last three decades that a third type of social responsibility, relating to social issues that are often external to the business and which go beyond ethical or environmental concerns, have become part of the CSR rhetoric (Banerjee,

2007; Campbell, 2007; Lockett, et al., 2006). It is this later type of CSR – which extends beyond basic ethics or management of value chain to do no harm – that is the topic of interest of this research (henceforth simply referred to as CSR).

9.3. What We Know About CSR

Numerous insightful reviews have added to our knowledge of CSR, from which three main foci can be detected: the evolution in the theory of CSR, the evolution in the concept (or operationalization of the concept) of CSR, and empirical evidence studies on the relationship between CSR and CFP (see table 9-1).

Table 9-1 Important reviews of the CSR literature

Reference	Time-Span	Focus	Main findings
Windsor, 2006, <i>Journal of Management Studies</i>	1900-2005	Theory	Review of the three key theoretical approaches to CSR. Argues for the inability of these theories to synergize, due to the difference in the moral framework and political philosophies that underlie them.
De Bakker, Groenewegen and Den Hond, 2005, <i>Business and Society</i>	1970-2000	Theory	Analysis of three views on the way in which the CSR literature has progressed between 1970 and the 2000s. Overall, the theory is mostly found to be 'progressive' with a conceptualization of CSR as a strategic issue. The research is often descriptive with some theoretical research.
Lockett, Moon and Visser, 2006, <i>Journal of Management Studies</i>	1992-2002	Theory	On the basis of an analysis of the literature on CSR four areas of focus are identified: 1) business ethics, 2) environmental responsibility, 3) social responsibility and 4) stakeholder approaches. Conclude that the research on the first two areas is most salient.
Lee, 2008, <i>International Journal of Management Reviews</i>	1950-2000s	Theory	Analysis of the way in which the theory has grown to focus increasingly on the business case of CSR, and the analysis has shifted from the institutional to the organizational level. Moreover, the theories have become more performance oriented and managerial.
Aguinas and Glavas, 2012, <i>Journal of Management</i>	1970-2011	Theory	Review of the literature on CSR which reveals knowledge gaps related to the adoption of different theoretical orientations by researchers studying CSR at different levels of analysis, a lack of research at micro levels of analysis, and a lack of methodological approaches that help address these knowledge gaps.
Carroll, 1999, <i>Business and Society</i>	1950s-1998	Concept	Overview of the historical evolution of the concept of CSR. Finds an expansion of definitions in the 1960s, proliferation in the 1970s, fewer definitions in the 1980s and the emergence of alternative themes. In the 1990s CSR functions as a core construct that is transformed into alternative thematic fields.
Joyner and Payne, 2002, <i>Journal of Business Ethics</i>	1938-1999	Concept	Analysis of the emergence and evolution within in the management literature of the concepts of values, business ethics, and CSR. Analyze two success cases that deal with these issues to identify the links among values, ethics, and CSR as they are incorporated into the company's culture and management.
Waddock, 2004, <i>Business and Society Review</i>	1975-2000s	Concept	Analysis of the terms used to define CSR. Argues that despite the conclusion that the concept, theory, and practice of CSR have evolved in parallel universes, notable progress has been made both in theory and practice.
Wood, 2010, <i>International Journal of Management Reviews</i> .	1950s-2010	Concept	Review of the literature on the concept and the measurement of the concept of CSR. By using the corporate social performance model from Wood 1991 as a guide, the paper discusses various proposed measures.
Ullmann (1985), <i>Academy of Management Review</i>	1970-1985	CFP	Review of 31 empirical studies on the relationship between CSR and CFP from the 1970s and early 1980s. Concludes that there was no relationship between CSP and CFP, in part because of a lack of good data and valid and reliable measures, and in part because of a lack of

Wood and Jones (1995), <i>The International Journal of Organizational Analysis</i>		CFP	good theories that connect the various measures of CSP and CFP. Review of empirical studies in the relationship between CSR and CFP through the use of a stakeholder framework. Concludes that the empirical literature mismatches the variables and the relevant stakeholders.
Margolis and Walsh, 2003, <i>Administrative Science Quarterly</i>	1972-2002	CFP	Meta-analysis of 192 results from 167 CSP–CFP studies in the period between 1972-2002. They find a consistent but slight positive relationship between CSR and CFP.
Orlitzky, Schmidt, and Rynes, 2003, <i>Organization Studies</i>	1970-2002	CFP	Review of the relationship between social and environmental performance on the one hand, and financial performance on the other. Argues that mostly CSR, and to a lesser extent environmental responsibility, is likely to positively affect CFP, especially when CFP is operationalized with accounting-based measures.
Pelozo, 2009, <i>Journal of Management</i>	1972-2008	CFP	Review of the research on the business case for CSP from both the academic and practitioner literatures. Suggestions are provided for managers on how to measure the impact of CSP investment on financial performance.
Pelozo and Shang, 2011, <i>Journal of the Academy of Marketing Sciences</i>	1971-2010	CFP	Review of the literature on the effect of CSR on the relationships between corporations and their stakeholders. Development of an overview of the ways in which CSR activities can add value for consumers.

While these reviews show that there is a rich body of literature on CSR, they also illustrate that there are substantial gaps in our knowledge, especially relating to the (changing) motivations of companies to practice CSR. As Lee (2008) concluded in his review, management researchers have grown increasingly confident in simply assuming the instrumental value of CSR, while the empirical evidence for this is rather thin (Margolis and Walsh, 2001; 2003; McWilliams and Siegel, 2000; Vishwanathan, 2010; Waddock and Graves, 1997; Wood and Jones, 1995). Moreover, despite the fact that the explicit rationale to engage in CSR activities is a desire for both social and financial goals, the focus of CSR research and theories has mostly been on its instrumental value to the company (Campbell, 2007; Margolis and Walsh, 2003; Rowley and Berman, 2000). For society, the other intended beneficiary according to the rhetoric of CSR, the effects are either explicitly or implicitly assumed to be enlightening (Aguilera et al., 2007). However, this assumption has hardly ever been subjected to any rigorous analysis (Clark et al., 2004; Elkington, 1999; Halme and Laurila, 2009; Maas and Liket, 2011a; Margolis and Walsh, 2003; Schaltegger and Burritt, 2000; Wood, 2010).

Mining deeper into the studies analyzed in these reviews, three studies are found to have made significant contributions in shedding light on the motivations of companies to engage in CSR. First, in a comparative study, Doh and Guay (2006) analyzed the effects of the differences in the institutional environments in Europe and the United States on CSR. In particular they examined the differences in expectations that the public holds in these regions about CSR. They concluded that the variation in institutional structure and political legacies are important factors in explaining the process through which institutional actors can determine and implement their preferences regarding CSR. Second,

Aguilera, et al. (2007), developed a multilevel theoretical model of the motivations of companies to engage in CSR in various institutional contexts. Third, Den Hond and De Bakker (2007) zoomed in on the role of social activists by studying the way in which their influence encourages firms to practice CSR. They argued that the ideological differences that motivate different activists groups lead them to use different influencing tactics to achieve their CSR related goals.

While the first two studies mentioned employed variance theories, Den Hond and De Bakker (2007) were the only ones to use a process theory. As Mohr (1982) described, variance theories are characterized by a) dealing with variables, b) employing a “*push-type* causality” where X implies Y, and c) consequences that are unaffected by time ordering among the antecedent independent variables (p. 41). In contrast to variance theory, which neglects the relevance of time, Mohr (1982) argued for the value of process theory in management research, which is characterized by the provision of explanations “in terms of patterns in events, activities and choices over time” (Langley and Tsoukas, 2011, p.6). Process theories are different from variance theories in that they a) deal with events rather than variables, b) employ a “*pull-type* causality” where Y implies X, and c) consider the time ordering among the antecedents to be crucial for the outcome (Langley and Tsoukas, 2011, p.6; Mohr, 2008, p.41). As many others have argued, employing process theories to study management practices can provide important new perspectives (Langley and Tsoukas, 2013; Osadchiy, Bogenrieder and Heugens, 2011).

9.4. Method

The literature is revisited in an attempt to find studies that have analyzed why certain types of companies engaged in CSR at a certain point in time. Similar to the sampling approach used in the reviews by Aguinis and Glavas (2012) and De Bakker, Groenewegen and Den Hond (2005), a list of top management journals that have frequently published articles on CSR was used to compile the initial set of papers. Both authors screened the papers in the selected journals for papers that clearly indicated when their exploration of companies’ CSR engagement began.

Our sample is supplemented by data mining these articles for references of other relevant papers. Obviously our study is not based on a systematic review of the literature, as in order to determine whether the studies contained any relevant insight for our research purpose, an in depth review of the papers was needed that could not be based on a review of the abstract. The selected papers are organized into three time periods in line with the categorizations used in the reviews of the CSR literature that are studied. These periods are: pre-mid 1990s, mid 1990s to the 2000s, and from the 2000s to the present day.

9.5. A Temporal Perspective on the Institutionalization of CSR

9.5.1. CSR up until the mid 90s

According to Hoffman (2007), the beginnings of modern CSR originated in the 1920s. The concept entered the public consciousness during the middle of the 20th century, but it was not until the 1980s that there was a noticeable rise in the general public's interest in CSR (De Bakker et al., 2005; Margolis and Walsh, 2003; Walsh, Weber, and Margolis, 2003). This wider interest for CSR is illustrated for example by the reaction of stock markets to illegalities and critical events, such as involuntary product recalls (Davidson and Worrell, 1988; Frooman, 1997; Wood and Jones, 1995). Studies have pointed to the relevance of social activists in spurting this increased attention for CSR (Aguilera et al., 2007). In the 1980s and the early years of the 1990s, numerous NGOs emerged with the explicit mission to monitor the behavior of corporations (Campbell, 2007; Doh and Guay, 2006). NGOs and other social activists pressured companies to become more socially responsible by calling for product boycotts and using other tactics designed to change consumer preferences (Campbell, 2007; Den Hond and De Bakker, 2007; Doh and Guay, 2006). Studying a sample of product boycotts between 1969-1991, Davidson et al. (1995) found them to be effective in affecting stock prices, mostly when they were clearly being done in the name of society's collective good.

Numerous corporate scandals by various MNCs, such as environmental crises and human rights violations, helped increase awareness of CSR during the 1980s and early 1990s, stimulated by the media attention that surrounded them. One scandal that received much media attention was the refusal of Gerber's CEO to withdraw baby food allegedly riddled with slivers of glass (Mitroff, Shrivastava, and Udwardia, 1987). During this period, media attention to the affairs of corporations grew significantly, thus exposing companies to public scrutiny through newspapers, magazines, books, radio and television (Fumbrun and Shanley, 1990).

A clear 'victim' of the coercive pressures of social activists, and the normative pressures that stemmed from the heightened media attention given to businesses, was Royal Dutch Shell. It was alleged in 1996 that Shell supported the Nigerian military in its execution of writer Ken Saro-Wiwa, and a number of other Ogoni community members, because of their opposition to the company. The international outcry that followed, combined with the environmental controversy over Shell's decision to discard the Brent Spar oil-drilling platform in the North Sea, resulted in the company having to actively manage its social responsibilities with respect to its human rights and environmental policies (Aguilera et al., 2007).

The focus of social activists and the media during this time was explicitly on MNCs with global brands, such as Nike, Reebok, and Shell (Aguilera, et al., 2007; Campbell, 2007; De Bakker, Groenewegen and Den Hond, 2005; Doh and Guay, 2006). Moreover, in contrast to the proactive

approaches that characterize contemporary CSR, before the mid 1990s CSR was mostly reactive, focusing on the management of the negative effect of MNCs on society (Davidson and Worrell, 1988; Frooman, 1997; Nijhof, et al., 2006; Wood and Jones, 1995). Viewed from the perspective of legitimacy theory, it is no surprise that MNCs with global brands and high profiles were the first to feel these external pressures. Relative to less visible firms, MNCs have a highly interdependent relationship with society. Consequently, the public generally expects more effort from these companies to reduce social ills, and MNCs themselves depend more heavily on the public in order to retain the necessary legitimacy that protects their superior positions (Margolish and Walsh, 2003; Meyer and Rowan, 1977).

As well as the coercive and normative pressures on MNCs to take responsibility for their effects on society, the regulatory context also changed during this period. These changes were also related to increased globalization, which resulted in the operation of large MNCs under a wide variety of regulatory context. Many MNCs used CSR as a tool to manage or maintain their license to operate in different countries (Dahlsrud, 2008; Van Marrewijk, 2003).

The reactive type of CSR that characterizes the period before the mid 1990s is also reflected in academic theories. CSR was often conceptualized as 'social issue management' or 'crisis management' (Wood, 1991). This contrasts with modern theories, which conceptualize CSR as much more of a proactive activity; for example, through the active management of the company's stakeholders, or by emphasizing the instrumental value of CSR (Lee, 2008). The attention of the early CSR literature on decoupling also highlights this reactive conceptualization (Meyer and Rowan, 1977; Weaver, Trevino and Cochran, 1999).

9.5.2. CSR from the mid 90s to the 2000s

From the mid 1990s onwards a larger share of MNCs started to engage in CSR. These MNCs generally represented less visible brands, and they were not directly subjected to the legitimacy pressures that had motivated the initial set of MNCs to practice CSR. In contrast, the adoption of CSR practices by this second set of MNCs could be explained as a result of the mimetic pressures they experienced from their peer organizations. Studying the in 1996 launched ISO 14001, Bansal and Hunter (2003) concluded with the expectation that these environmental management systems standards would facilitate sustainable development, through a process where less large and visible firms would mimic the policies and practices of the larger MNCs that were perceived as being both successful and legitimate.

In the latter half of the 1990s, the reputations of corporations had become increasingly vulnerable. Not only is the corporate reputation influenced by their own corporate performance, but industry peers can also define the rules, norms, and beliefs, that surround them (Bertels and Peloza, 2008; Fombrun,

1996). For companies, gaining legitimacy is often easiest simply by “confirming to environments”, which in this case consisted of copying the behaviors of a large set of industry leaders that were actively practicing CSR (Suchman, 1995, p.587). Moreover, this group of less visible MNCs was also subjected to new regulatory standards that actively encouraged CSR. For example, in 1998 the OECD revised its 1976 Guidelines on Multinational Enterprises to include CSR standards.

As the literature indicates, CSR was instrumental for the first set of highly visible MNCs, as they were faced with a wide set of normative, coercive, and regulatory pressures that threatened their legitimacy. In contrast, the second set of MNCs that engaged in CSR has more likely been motivated by isomorphism. Engagement in CSR initially did not have direct instrumental value for this second set of MNCs, next to satisfying the drive to keep up with the most recent practices of their peers. An indication of the presence of isomorphic pressures to engage in CSR can be found in the differences in the intensity with which CSR was practiced in different industries (Maas and Liket, 2011b). Examples of where much organizational field level action was taken are industries including the energy industry (Aguilera, et al., 2007) and the alcohol industry (Van Cranenburgh, Liket, Roome, *forthcoming*). As Agle, Mitchell, Sonnenfield (1999) found when studying the CEOs of the top 80 companies in the U.S. in 1997 and 1998, CEO perception of stakeholder salience was positively related to the engagement of their companies in CSR. However, there was no link found between this salience and CFP (Agle et al., 1999).

As this second set of MNCs implemented CSR policies, the managers within these corporations, as well as analyst and researchers, attempted to understand this behavior. Management scholars have frequently failed to distinguish between practices that actually enhance efficiency and effectiveness, and those that are motivated by the need of companies to retain their legitimacy (Meyer and Rowan, 1977). They generally tend to focus on internal organizational processes to explain changes, and therefore perceive the adoption of all new practices and behaviors as a rational corporate choice (Bondy, 2008; Campbell, 2007). However, intuitionists have argued that retaining legitimacy or stability is often the single motivation for the adoption of management practices (Scott, 2001). ‘Total Quality Management’ and ‘Management By Objectives’ are examples of practices that have been widely adopted by managers, without clear evidence of their contribution to the efficiency of different types of companies (Sahlin and Wedlin, 2008).

The rhetoric surrounding the instrumental value of CSR became increasingly institutionalized through normative, mimetic, and coercive mechanisms. Normative pressures come from the norms and values that provide a “prescriptive, evaluative, and obligatory dimension into social life” (Scott, 2001, p.54), which leads to ever-increasing pressures on corporations for professionalization (Hoffman, 1999). These pressures generally take the form of rules-of-thumb, standard operating procedures,

occupational standards, and are integrated in educational curricula. CSR has increasingly taken up these forms. A wide number of normative forces emerged from actors that adopted the instrumental logic around CSR, and thereby further promoted its institutionalization.

For one, numerous leading management scholars and business school academics embraced and promoted the instrumental logic around CSR. Their arguments focused on the benefits of CSR to the firm's financial performance, such as through 'triple bottom line thinking' (Hart and Milstein, 2003). This rhetoric, which emphasized the instrumental value of CSR, was institutionalized through its integration in business school curricula and professional publications (Fligstein, 1990; Scott, 2003). Second, the promotion of this perspective on CSR influenced the worldviews of a much larger set of managers that extended beyond those working in MNCs (Barnett and Duvall, 2005). This changed worldview is illustrated, for example, by the founding of proactive voluntary professional associations of managers such as the 'World Business Council for Sustainable Development', which was established in 1995 (Logsdon and Wood, 2004).

Two main types of coercive pressures can be identified between the mid 1990s and 2000s that contributed to the institutionalization of the instrumental perspective on CSR. For one, social activists such as NGOs and consumer associations shifted their initial radical strategies to reformative actions, in order to establish a field for CSR (Den Hond and De Bakker, 2007). Their argumentation became centered on more structural, pragmatic, and consequential arguments. These NGOs created a number of CSR specific initiatives, such as voluntary code of conducts (e.g., UN Global Compact), indices (e.g., Dow Jones Sustainability Index), reporting systems (e.g., SA 8000), and management systems (e.g., ISO 14000). Large NGOs such as Oxfam, Christian Aid, and NGOs such as AccountAbility and SustainAbility that were specifically created to promote CSR, grew into a politically powerful and significant social force (Aguilera, et al., 2007; Doh and Guay, 2006). Second, with a larger number of MNCs proactively engaging in CSR practices, the expectations of consumers changed (McWilliams, et al., 2006). The 'ethical shopping movement' and the popularity of rankings such as, 100 Best Corporate Citizens are prominent examples of this change (Kozinets and Handelman, 2004; Waddock, Bodwell and Graves, 2002). Generally, the public increasingly considered the responsibilities of corporations to include the management of the sustainability of the natural environment, working conditions, and consumer and human rights protection (Klein, Smith and John, 2004; Kozinets and Handelman, 2004; Matten and Crane, 2005).

Scott studied the institutionalization processes of management practices that are accompanied by a rational and instrumental logic, but of which the actual understanding of their institutionalization and the evidence for their instrumental value is scarce. He referred to these types of management practices as rationalized myths, which he explained to be a "condition reflecting cultural alignment, normative

support, or consonance with relevant rules or laws” (1995, p.45). Adoption processes of rationalized myths are generally characterized by their uncritical embrace, ideological character, and a rapid process of institutionalization that distracts from the fact that many of these rationalizations lack supporting evidence of their actual value to improving the firm’s financial performance (Halme et al., 2009). Furthermore, the ideological character of rationalized myths is illustrated by their explicit promise to solve many problems a society, or specific part of society, faces. In a world that is taking on ever-higher forms of complexity, myths that are presented as a simple solution have the power to become very popular promises (Halme et al., 2009). The idealism that surrounds these myths often shelters them from criticism, and leaves the delivery on their promises unchallenged. Lacking rigorous evidence of its effects on both the business and society, CSR is accompanied by “many positive expectations” and “trust is placed” in CSR as “an ideology and as an instrument for contributing to the resolution of many global and environmental ills” (Halme et al., 2009, p. 1). The academic literature has also contributed to the rationalization of CSR (Lee, 2008). A shift can be observed in the prominence of theories of CSR that illustrate the embrace of this instrumental view of CSR, such as stakeholder theory and stewardship theory.

9.5.3. CSR from the 2000s onwards

By the 2000s, the status of CSR had completely changed to become a management practice that was widely viewed as instrumental to corporate performance and greatly beneficial to society. Consequently, since the 2000s a very large range of companies has increasingly practiced CSR. This also includes SMEs and companies in industries that are hardly subject to any institutional pressures to act socially responsible (Spence, 2007). As Aguilera et al. (2007) described, where CSR was previously conducted mostly through reactive approaches, these were increasingly replaced by more proactive forms. Examples of such proactive approaches are the concepts of Triple Bottom Line thinking (Hart and Milstein, 2003), and Creating Shared Value (Porter and Kramer, 2011), which position CSR as an opportunity for innovation.

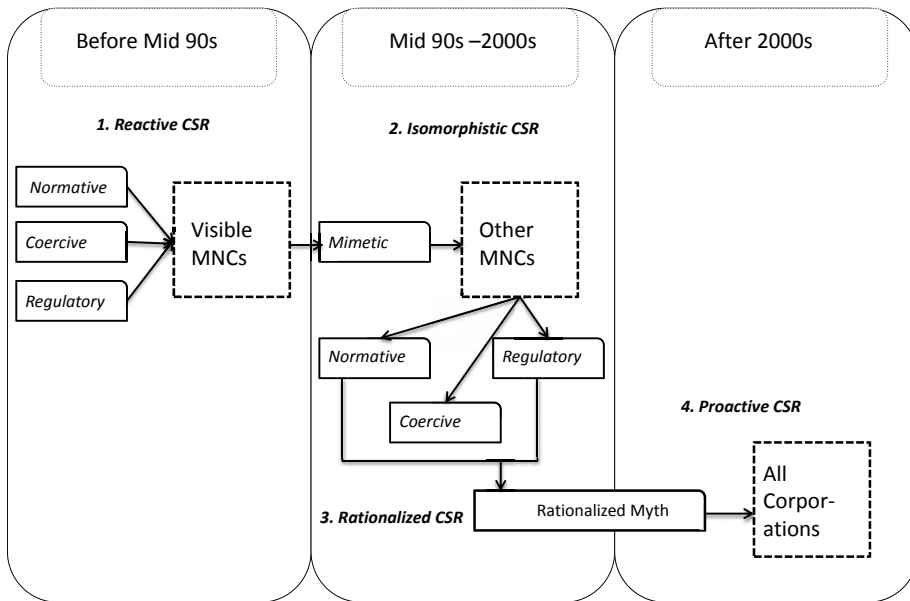
Meyer and Rowan (1977) pointed to the modifications of market instruments as providers of evidence of institutionalizations, such as new corporate governance codes. In 2000, the United Nations created the UN Global Compact. In 2002, the Global Reporting Initiative was launched. The ILO started the Conventions on Workplace Practice in 1998. The U.S. government engaged in the promotion of voluntary CSR initiatives in specific industries, such as the extractives industry with the Voluntary Principles on Security and Human Rights, and in the apparel industry with the Apparel Industry Partnership. The European Commission (EC) has identified sustainable development as a vital aspect in gaining competitive advantage for Europe, and it perceives CSR as an important instrument in that strategy (European Commission, 2002). The EC increasingly promotes multiparty dialogues where

companies, NGOs, unions, governments and institutional investors convene (Gonzalez and Martinez, 2004). Moreover, the EC has actively sought to promote CSR to SMEs (Spence, 2007). The governments of a number of European countries, including Belgium, the Netherlands, Denmark and the United Kingdom, have been particularly active in promoting CSR (Gonzalez and Martinez, 2004). France, Germany and the United Kingdom have each passed laws that require pension funds to be transparent about the extent to which they consider the social and environmental records of the companies that they invest in (Aaronson and Reeves, 2002).

This institutionalization process of the contemporary instrumental perspective on CSR is also reflected in the evolution of the academic literature. In the last few years, little research has focused on the instrumental value of CSR to both the business and society, which in most studies is simply assumed to be positive. Instead, studies that employ ecological models or use a sensemaking perspective are growing increasingly popular (Athanasopoulou, 2007; Basu and Palazzo, 2008; Collier and Esteban, 2007; Cramer, Jonker and van der Heijden, 2004; Cramer, van der Heijden and Jonker, 2006; De Wit, Wade and Schouten, 2006; Maon et al., 2008; van der Heijden, Driessen and Cramer, 2010; Margolis and Walsh, 2003; Morsing and Schultz, 2006; Pater and van Lierop, 2006; Schouten and Remme, 2006).

9.5.4. Four Phases of Institutionalization

Revisiting the literature on CSR with a temporal perspective, a process theory of CSR can be developed wherein its institutionalization comprises four distinct phases (see figure 9-1). The first phase, before the mid 1990s, is characterized by MNCs with large global brands that practice reactive forms of CSR in response to numerous institutional threats to their legitimacy (*reactive CSR*). Between the mid 1990s and the 2000s a larger group of MNCs begin to practice CSR, motivated by the mimetic forces that this first group of MNCs exerted on them (*isomorphistic CSR*). As a consequence, the adoption of this new management practice by this large group of firms was explained through the emphasis on the instrumental value of CSR for firms (*rationalized CSR*). This instrumental rhetoric was institutionalized through a range of normative, coercive and regulatory processes. In the last phase, after the 2000s, proactive forms of CSR became common management practice for a much wider range of firms, including SMEs and companies in industries that faced relatively little legitimacy pressures (*proactive CSR*).

Figure 9-1 Process model of the institutionalization of CSR

9.6. The Risks of Rationalization

CSR creates conflicting institutions within organizations and in society, and is therefore at risk of decoupling. ‘Decoupling’ implies that companies gain legitimacy while solely adopting the rhetoric of a new practice (Meyer and Rowan, 1977). In the case of CSR, this conflict exists between the corporate institution, which has a central logic of maximizing profitability, and the institution of CSR, which has a central logic of pursuing social goals (Aguilera et al., 2007; Boiral, 2007). As Boiral (2007) found in his research into the corporate adoption of the environmental standard ISO 14000, the internal inconsistency that this standard creates often leads to ceremonial behavior that solely demonstrates changes while organizations are not truly embedded in the corporation. Corporate adoption of practices that result from institutional pressures and uncertainty are always at risk of this type of superficiality (Meyer and Rowan, 1977). There is solid evidence that, to prevent becoming a public scapegoat, organizations adopt institutions only superficially when this adoption could result in sacrificing internal efficiency (Beck and Walgenbach, 2005; Meyer and Rowan, 1977).

The extent to which decoupling exists in CSR practices is difficult to research as there is an inherent asymmetry of information. Corporations that engage in CSR might present themselves as striving for societal goals while they are actually only focused on fulfilling financial goals (Banjaree, 2007;

Halme et al., 2009). Empirical studies have found that the motivation of corporations to engage in CSR has a direct effect on the quality of the consequences of these activities. Husted and De Jesus Salazar (2006) for example, found that ‘strategically’ motivated CSR leads to better results for both the firm and society than ‘coerced’ CSR.

The absence of critical accounts of CSR could have multiple negative consequences for society. First, as described above, corporations could be engaging in window-dressing, whether consciously or unconsciously, by adopting the myth of CSR. A small investment made in social causes could allow companies to pursue a quest for ever-growing power. As Banjaree (2007) argued in his book, “The Good, the Bad and the Ugly”, CSR could easily be a rhetoric that facilitates the disguise of sinister activities of corporations. Companies could use CSR to deflect criticism on their operations (Banerjee, 2007). CSR allows corporations to pursue the power to produce profits, which would make them even more powerful. As Banjaree puts it: “CSR does not challenge corporate power, it reinforces it” (2007, p.147).

Second, as CSR is widely accepted and promoted by political organizations such as the UN, the World Bank and the IMF, the absence of criticism and evidence leaves the ambiguous concept free to the interpretation of policy makers. Subsequently, CSR might be extra vulnerable to abuse by self-interested actors (Aguilera et al., 2007; Banjaree, 2007).

Third, although the rhetoric of CSR involves an explicit aim to foster positive social impact, the absence of critique on CSR might shield the world from considering its potential negative externalities (Bansal, 2005). CSR activities do not only affect the targeted beneficiaries, but also change the relations between corporations, consumers, governments and non-governmental organizations in society (Halme, et al., 2009). Embracing the idea that corporations can offer solutions to societal problems may divert attention from a broader political, economical or societal view on both the role of corporations and social problems (Banjaree, 2007). Moreover, loading corporations with these new responsibilities also provides them with new forms of power (Halme et al., 2009). This may decrease democratic institutions, as CSR activities cause corporate engagement in the provision of previously democratically provided services such as health insurance, day care and education, especially in the context of developing countries (Halme, et al., 2009).

Fourth, related to these potential negative externalities of CSR is the lack of knowledge about the impact of CSR on society, whether positive or negative (Salazar, Husted and Biehl, 2012). Despite the central role of the social outcomes in most conceptualizations of CSR, these have only rarely been examined (Wood, 1991; Salazar, Husted and Biehl, 2012). In the cases that the effects of CSR on society are considered, measures tend to focus on inputs, such as the number of projects supported and the number of hours of corporate volunteers. The impact of CSR activities on the intended

beneficiaries is hardly ever evaluated. The lack of impact evaluation does not only result in a wasted opportunity to maximize the impact of CSR on society, it also presents a risk that some CSR activities do not have the intended positive effects, or even negative effects.

Fifth, the focus on CSR might depress other developments within corporations that benefit society, such as the adherence to ethical or environmental standards (Halme et al., 2009). Management attention that is now being spent on CSR programs may leave more problematic fundamental mechanisms unaddressed, such as the purchasing policies of companies (Halme et al., 2009).

Finally, evaluating CSR on a global scale, where it claims to foster international development, raises many critical questions. Banjaree (2007) argued that corporate actions on this macro-scale would lead only to “capitalization, expropriation, commoditization, and homogenization of nature” (p.114). New arguments like Phrahalad’s market at the ‘Bottom of the Pyramid’ (2007) position CSR as a win-win situation. However, as Jamali and Mirshak (2007) pointed out, exploitation by corporations is even more likely to take place in the developing country context, as civil society is too unorganized to provide powerful watchdogs or a critical media.

Even if CSR was a sincere quest for a more equal division of wealth and power, social investments could still be subject to numerous risks. At the micro level, corporations often view their social responsibility as being fulfilled by supporting short-term single-cause efforts (Halme et al., 2009). However, development is a long-term process that requires sustainable investments. Thus there is a mismatch between corporate short-terminism accompanied by narrow choices of investment targets and development needs (Halme, et al., 2009). Moreover, CSR activities risk creating dependency circles instead of promoting empowerment (Blowfield and Frynas, 2005; Frynas, 2005).

An example is found in the newly established labor standard SA 8000. A deeper investigation of the effects on suppliers to companies that engage in the SA 8000 (e.g., H&M; GAP) shows that they are facing increasingly complex requirements (Stigzelius and Mark-Herbert, 2009). Moreover, these requirements are often contradictory to workplace safety, and restrict overtime and wages that ensure a sufficient standard of living (Stigzelius and Mark-Herbert, 2009). However good the intentions to be socially responsible may be, they can well be accompanied by negative externalities.

9.7. Discussion and Conclusion

Over the last decades CSR has transformed from being practiced by a set of MNCs with highly visible brands into a common practice for almost any type of organization, including locally operating SMEs (Campbell, 2007; Halme et al., 2009). Mostly explained through managerial accounts, contemporary CSR is characterized by a normative or instrumental rhetoric, and is generally considered good management practice (Halme et al., 2009; Locket et al., 2006). In this research a temporal perspective

is taken on the process through which the practice of CSR has changed over time, and it is attempted to explain how it has become so deeply institutionalized in a relatively short period of time.

Revisiting the reviews that have been performed on CSR, it is found that in the case of CSR the managerial paradigm has failed to sufficiently distinguish between a perspective of this practice as a way to enhance efficiency and a provider of social legitimacy. Moreover, little attention has been given to understanding the motivations of companies to start practicing CSR at a specific point in time. Generally, it is found that hardly any account has been given to the importance of time in the literature on CSR.

From these literature reviews of CSR three time periods in the institutionalization of CSR arise: pre mid 1990s, mid 1990s to the 2000s, and from the 2000s to the present day. By revisiting the literature on CSR that analyses the motivation of organizations to start engaging in CSR in a specific period of time, a four-phases process of the institutionalization of CSR is identified that developed over these time periods. This process model sheds light on the way in which CSR has developed over time, from a practice that was initially reactive to one that was mostly isomorphistic, then became rationalized, and finally took a proactive character.

An increased understanding of this process through which the contemporary institution of CSR has evolved validates the importance of critical perspectives on the global trend of CSR. The risks that accompany CSR, especially for society through its externalities and vulnerability to abuse, deserve serious attention. Perhaps our analysis illustrates more than anything that the absence of evidence for the business benefits of CSR is unsurprising, considering that the gain of engagement in CSR resides in increased legitimacy. Consequently, there might be costs to not practicing CSR, but there are not necessarily benefits that translate in improved business performance to practicing it. In contrast, the effects of CSR on society are largely unknown, and require thorough empirical research that is largely absent (Salazar, Husted and Biehl, 2012). The impact of CSR activities on the intended beneficiaries, thus the extent to which they positively affect lives, can only be established through impact evaluations. On the basis of these evaluations strategic choices can be made to maximize the impact of CSR activities on society, and minimize the negative externalities.

Practically our research implies that CSR manager should not rely on the rhetoric of the instrumental gains of their CSR efforts to the business or society. In the case of the effects on society a highly critical view is needed, where negative externalities, such as decreased democratic processes in local communities, are actively managed to be reduced to a minimum. Simple consciousness of possible negative externalities is an important first step, but only rigorous monitoring and evaluation through

impact evaluations of CSR activities can ensure that they have the desired positive social impact (Salazar, Husted and Biehl, 2012; Maas and Liket, 2011b).

For the academic community, our findings emphasize our vulnerability to uncritically adopting changed corporate behavior, and explaining these changes with an instrumental lens. Moreover, it shows the role of management researchers themselves in creating such rationalized myths. Thereby it illustrates the urgent need for scholars to acknowledge the relevance of time and processes outside of the organization in the wider realm of sociological processes, through employing process theories to analyze management practices and corporate behavior.

Our research could be extended by rigorous qualitative research to improve the empirical evidence for the phases in the institutionalization of CSR. For example, the development of the rhetoric around CSR over time could be analyzed with data from organizations themselves, such as public reports, or data from public sources such as the business media.

Our own account of the institutionalization of CSR is limited to the managerial literature. Moreover, the focus has been on the antecedents of CSR; motivations of companies to start engaging in CSR. Thereby, a front-loaded model is created where the focus is on the beginning of the changes in corporate behavior. Although the (lack of) knowledge of the consequences of CSR to the business and society is briefly discussed, and the possible consequences to society, future research could spend more attention to taking account of the variation in the intensity with which CSR is practiced.

Chapter 10

Management Responses to Social Activism in an Era of Corporate Responsibility: A Case Study²⁰

Abstract

Social activism against companies has evolved in the 50 years since Rachel Carson first put the US chemical industry under pressure to halt the indiscriminate use of the chemical DDT. Many more companies have come under the spotlight of activist attention as the agenda social activists address has expanded, provoked in part by the internationalization of business. During the past fifteen years companies have begun to formulate corporate responsibility (CR) policies and appointed management teams dedicated to CR, resulting in a change in the way companies interact with social activists. This paper presents findings from a longitudinal case-study of managerial responses to social activism targeted at a company with relatively well-advanced CR practices and reputation. The case describes the unfolding of the internal processes over an 8 year period, including the role played by different managers and the tensions in the decision making processes. The findings emphasize how values and beliefs in the company interact with economic arguments, and how those are mediated through functions and relationships in the company and beyond. The paper shows how critical managers' understanding of the motivations of activists behind the campaign is in shaping their actions. It reveals the paradoxical outcomes that can result from social activism at the level of the firm, the industry and the field.

²⁰ This chapter is based upon:

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10.1. Introduction

The history of corporate responsibility (CR) is replete with examples of social activism where specific companies or sectors were put under pressure by means of highly visible campaigns and/or boycotts to change practices. One of the earliest examples was the campaign against the indiscriminating application of the chemical DDT in the USA, started by the publication of Rachel Carson's book *Silent Spring* (Carson, 1962). The issue was then taken by the Environmental Defense Fund and, after a number of years of claims and counter claims and litigation, it ended with a ban by the Environmental Protection Agency on most uses of DDT in 1973 (Environmental Defense Fund, 2012). Since then there have been an increasing number of activist campaigns across a growing array of environmental, social and governance issues. Examples include the boycott of Nestlé products in 1977 following concerns about the sales techniques and the consequences arising from using baby formula in parts of Africa, and the campaign against Shell oil company's operations in South Africa and Namibia in the late 1980s, arising over concerns about operating within the context of the Apartheid regime.

Companies face activism in relation to a wide array of social and environmental issues associated with all aspects of their activities – from the sourcing of raw materials, labor and human rights abuses at company level and in the supply-chain, environmental impacts, environmental issues arising from production methods, and issues in distribution and sales. These issues range from company level concerns about whether the organization of labor unions is permitted, to geo-political questions of whether a company should disengage its operations in countries with dictatorial or repressive regimes.

The outcomes of some of these issues can be traced over time. As an example, the sinking of the Exxon-Valdez in 1989 led to the so-called CERES principles developed by the Coalition for Environmentally Responsible Economies (CERES) for which companies were encouraged to sign up for. This led to a call for better reporting standards, resulting in activists developing and encouraging companies to join the Public Environmental Reporting Initiative (PERI) established in 1994 (Davis-Walling and Batterman, 1997). A daughter of PERI is the Global Reporting Initiative (GRI) that since 1997 develops guidelines for environmental, social and governance reporting, followed by an increasing number of companies as an integral part of their CR practices (Levy et al, 2010). As Levy et al argued 'the strategies of NGOs have the power to shift the nature of corporate governance' (Levy et al, 2010).

It is patently clear that these events, issues, and the lines of action and interaction, radiate from a point of contention: a claim and pressure by an activist about a company. These do not unfold in a vacuum. What is hidden in these examples is the complex, often very long and dynamic cycle of interactions between activists and companies that follow an initial event or campaign. This cycle can lead over

time to impacts on the company and the industry of which it is part, with major implications for the way business and society articulate with one another. What unfolds is a function of circumstance, the issues activists choose to pursue, the ways and means through which activists target companies, the companies they select, the competences within the company, and the responses managers make to the activists concerns. In turn, all the above influence the dynamic relationship between the company and the activist and shape the outcomes for the company, the activist, and for society at large. This makes the question of what is happening around the interaction between activists and companies and their managers a multi-level, multi-actor (organizational and individual actor) puzzle. Whilst the outcomes of the interaction are often clear it is less clear how and why they happen.

This paper presents the case of a company targeted by social activism. It explores how the company responded to the demands of social activism. It begins with a brief introduction to the wider context of the case, addressing how targeted social activism and company responses to this activism have developed over the past 50 years. With this background two main questions are addressed (1) what does the in-depth case tell us about the way in which a company with a recognized position of leadership on CR, responds to the demands of targeted social activism? And (2) what does this case tell us about the decision-making of managers as they draw on company values and policies and make economic assessments in relation to the demands of activists?

This particular focus is chosen because we seem to be entering a period where activism is increasingly targeted against companies that have developed recognized positions on CR. This creates a new dimension in the interaction between social activists and companies because companies' reputations are now affected or even based on their CR practices, and companies have developed dedicated managerial competencies to shape responses to activists' targeting them. Beyond that specific focus we have very little empirical evidence from inside companies of how the managers in these companies create responses to the demands of social activism despite calls for research of this kind (Spar and La Mure, 2003). In addition to the lack of cases that look inside the black-box of decision-making of (either one of) the parties involved, our search of the literature identified a further gap in previous empirical work. While targeted social activist campaigns often develop over a lapsed time of many months or years and involve dynamic interactions between activists and companies, there are no case studies of how these interactions unfold in 'real time'. The paper sets out to address this gap.

In structure the paper moves from a macro-level perspective on social activism that provides a context to the case to a micro-level exploration of the case of worlds' largest beer brewer Heineken and the working lives of Beer Promoters in Cambodia. The macro-level perspective introduces existing literature as well as provides a context for the case that follows. It also serves to explain why the case is valuable on a theoretical level beyond the unique insights it provides into the dynamics of the

organizational and managerial responses to social activism. The case is introduced and analyzed with relatively novel methods to uncover the black box of decision-making, split in two phases that unfolded over the 8 years of the case. The paper concludes with formulating answers to the main questions posed, and highlights areas for future research.

10.2. Context – Social Activism and Business in Society

Scholars have already charted some of the major trends that shape the interactions between social activists and companies. In the 1980s social activism was characterized by geopolitical concerns about companies in repressive regimes as well as concerns about the environment. This provoked the agenda for sustainable development (United Nations, 1987) which overlapped with the economic globalization and internationalization of business. Multinational corporations followed the pathway to global production and global markets, moving to new production locations, out-sourcing supplies to developing economies, or penetrated new markets (Roome, 2011). Globalization thereby brought more attention to operational and supply-chain issues including labor and human rights, public health, education, illiteracy, malnutrition and AIDS (Margolis and Walsh, 2003; Matten and Crane, 2005). Often multinational corporations operated in countries where there were administrative deficits, poor provisions of social support, or lower social standards and expectations than would be found in their home countries; therefore multinational companies encountered and had to adjust to issues previously not familiar to their managers (Halme et al, 2009).

Activist attention to companies increased as their focus shifted from pushing governments to introduce stronger policies and regulations to placing more direct demands to promote higher industrial standards and company practices (Van Dyke et al., 2004; Walker et al., 2008; Rao, 2009). Simultaneously governments moved toward market liberalization with less state-control, towards the adoption of a broader mix of policy actions based on regulation, the use of economic instruments and support for voluntary self-regulation (Aguinis and Glavas, 2012). In response, leading companies, industrial sectors and coalitions of actors began to develop self-regulatory frameworks (for example the Responsible Care Program of the Chemical Industry, 1985, see King and Lennox, 2000) while other companies deployed new international voluntary codes and standards such as ISO 14001, SA 8000, GRI G3 reporting guidelines. Consequently these initiatives functioned to codify standards of practice (see for example, Delmas and Montiel, 2008).

These codes and standards were often adopted within the framework of modernized CR policies and practices in companies. Moreover, they were accompanied by the deployment of dedicated teams of managers with competence to contribute to the management of this area and the issues raised (Wood, 2010; Pelozo and Shang, 2011; Aguinis and Glavas, 2012). Some of these codes and standards were

set through platforms that brought company managers in contact with social and environmental interest groups, labor unions and various levels and departments of public administration (Fombrun, 2005; for a review see Jenkins, 2001). CR moved from its earlier emphasis on philanthropic giving by corporations and their foundations to a more strategic concern about the management of risks and/or as a driver of business opportunities (Porter and Kramer, 2002; Saiia et al, 2003).

Since the 1990s social activists sought to bring about change by targeting companies directly. Literature suggests that the motivation for activist campaigns can be to change corporate behavior, but also to bring about field-level or societal change – either through the promotion of higher standards or the eradication of companies with low performance (Guay et al, 2004; Rehbein et al, 2004; Rowley and Moldoveanu, 2003). Scholars have studied the variety of different tactics that have been used by activists (Doh and Guay, 2006; King and Pearce, 2010; Rehbein et al, 2004; Rowley and Moldoveanu, 2003). Activists often aim to raise awareness of specific issues by targeting highly visible corporations that operate in advertising-intensive consumer markets. The increasing accessibility of Internet and social media have enabled activists to materialize consumer power (Den Hond and De Bakker, 2007; Doh and Guay, 2006; Rehbein et al, 2004; Rowley and Moldoveanu, 2003) often by using corporate symbols and logos out of their normal context and transformed into emblems of the activist's cause (Den Hond and De Bakker, 2007; 910). Some have argued that the same technologies enabling companies to create global recognition of their logos and brands are available to activists to expose these assets to negative claims thus making those companies more vulnerable (Roome et al, 2006). Companies with visible brands and poor standards attract the attention of activists as was the case with the inconsistencies between the use of child labor in the Nike supply-chain and the image Nike was promoting to its customers (Knight and Greenberg, 2002).

Also, campaigns have been directed against companies with the lowest standards and no clear policy or commitments to CR. Examples include the Clean Clothes Campaign based in the Netherlands or its daughter organization Rena Kläder in Sweden. These activists target companies in the garment industry and their suppliers with the lowest standards of human rights and labor conditions to raise public awareness and to encourage the poorest performers to raise their standards (Egels-Zandén and Hyllman, 2006).

The emergence of codes and standards for CR and the development of company CR policies, practices and management, have created new targets for activist strategies. Campaigns focus on companies which have CR policies but where there are patently false claims about responsibility, or, where there are major inconsistencies between policies and practices often because organizations are made up of groups of people and performance is uneven. Wagner et al (2009) suggested that companies which actively communicate on CR attract the attention of activists.

Activists also direct their campaigns at companies with established CR policies coupled to leadership positions on CR, identified through third party assessments or endorsements. Examples include the campaign by Greenpeace against Unilever's Dove brand in April 2008 (Greenpeace, 2008). The campaign occurred even though, or possibly because, Unilever was acknowledged to have made significant progress in its approach to sustainably sourced commodities such as tea (Pretty et al, 2008) and had been an active promoter of initiatives such as the Marine Stewardship Council together with the World Wildlife Fund (WWF) (see Constance and Bonanno, 2000).

More recently Greenpeace directed a campaign against Nestlé's purchase of palm oil from unsustainable sources. Nestlé had developed a position on CR through its commitment to the concept of shared value (Porter and Kramer, 2006). The Greenpeace campaign was designed to push Nestlé to deploy its market-power to change the industries that use palm oil grown in developing economies and rainforest zones. The campaign was possible because one of the Indonesian palm oil producers that supplied Nestlé, PT-Smart, was managing its Sinar Mas palm oil plantations in breach of company guidelines and the commitments it had made through its involvement in the Roundtable on Sustainable Palm Oil (Nestlé, 2010). The targeted campaign was aimed to promote change at Nestlé and also across the industry and the field including companies such as Cargill, a major shipper of palm oil, as well as other palm oil producers and users. The campaign had the effect of stimulating Nestlé and Cargill to engage more closely with environmental NGOs such as WWF (see for example Cargill, 2010 and Nestlé, 2010).

Research on business responses to social activism is less extensive and limited in the methods it has used. There is a growing literature on social movement theory and social activism around CR issues (Den Hond and Bakker, 2007) which deals with the macro and meso-level of analysis. There are some studies of cases of shareholder activism (see Rehbein, et al, 2004; or for a review, Sjöström, 2008) and some longitudinal studies of the interactions between activists and companies but these have been based on documentary evidence and post-hoc interviews (Spar and La Mure, 2003). There are few 'real-time' studies of targeted social activism aimed against companies that consider the micro-level.

The evidence from the studies of shareholder activism (Vandekerckhove et al, 2008) suggested that when companies are faced by claims about specific issues or breaches of convention they tended to deny any form of misconduct. Further responses are based on responsibilities, values and norms as well as beliefs (Vandekerckhove et al, 2008; 18). These authors suggest that dialogue between companies and activists must necessarily move beyond the 'truth-value' of claims to look at ways for resolution. Research on activist campaigns by Spar and La Mure (2003) identified that company responses to activism involved a blend of factors including economic assessments of the implications

of responding or not reacting to activist demands, based on trade-offs between reputational value, loss or gain of market opportunities, implications for share price combined with the personal motives of senior managers. These authors argue that “Social activists force firms to make decisions in new ways, factoring variables that once could be ignored” (Spar and La Mure, 2003; 97). While Spar and La Mure (2003) call for more cases of the way companies respond to activist concerns the situations they reviewed were based on companies that did not have policies in place on the issues that activists used in their strategies.

With this background the focus of this paper is on the corporate and managerial responses to targeted social activism aimed at a company with a well-established reputation for CR and with a strong organizational commitment to leadership in CR, elaborate CR policies and practices, and people with extensive CR competencies. This situation creates the ground for a much more complex and dynamic interaction between social activism and the company management. The activist campaign has the potential to impact the targeted company as well as the industry and the field in which the targeted company operates. The case examines the managerial response to the activist campaign following events over more than 8 years in ‘real-time’.

10.3. The Case

The subject of the case is the managerial response to the targeted criticism leveled at Heineken, the worlds’ most international brewer, in relation to female beer promoters (BPs) who promote Heineken beer in bars and restaurants in Cambodia. In their working environment BPs can face categories of risk, these include physical violence, alcohol misuse, and sexual harassment by customers. If there is sexual activity between BPs and their clients it is also linked to the possibility of contracting sexually transmitted diseases including HIV/AIDS. At the time of the case, Heineken had been widely recognized and praised for its anti-discrimination and health care treatment for HIV positive employees and their families in the company’s operations in sub-Saharan Africa. In other words, Heineken had a leadership approach towards HIV/AIDS among its workers and had gained a positive reputation for this work and had developed considerable expertise. The case that follows is written from the perspective of the company and its management facing these criticisms, rather than from the viewpoint of the social activist. It was not possible to have access to the activist in real time as the events unfolded as the relationships were antagonistic and involved tactical positions. However, the focus of the case is on how a company with a leadership CR position responds to pressure.

The case is used to explore the two main questions remaining: What do we learn from an in-depth case of a company that has a recognized position of leadership on CR, as they try to respond to the demands of targeted social activism? And, what does this case tell us about the decision-making of

managers as they draw on company values and policies and make economic assessments, and how are those decisions mediated through the company's functions and wider relationships with organizations in its industry and the field in which it operates?

The case draws out the outcomes of the case for the company, the industry and the field – understood as beer retailing in bars in Cambodia – and the BPs. Following Spar and La Mure's (2003) we also see this as a completely new territory for research because it cuts to the heart of *how* business decisions are made in an era when the economic rationale of the firm alone does not serve to determine the optimum choices to take in a business situation. Exploring managers' decision-making (what Spar and La Mure (2003) refer to as 'personal motives') and economic considerations (referred to as 'cost-benefit calculations') as managers respond to the activist's campaign is not sufficient though to deal adequately with the dynamic aspects of the case – its evolution over time, the interactions between the company and the activist, between different groups in Heineken and between Heineken and its agents and other beer providers and retailers in Cambodia – all has to be considered.

In respond to this complexity the Heineken's promotion of beer in Cambodia is described as a narrative of the BPs situation in Cambodia, analyzed through the use of a cybernetic model of CR that runs through two cycles from initial recognition of the social activist pressure on the company, its first responses, to a reformulated social pressure and then on to further CR responses by the company and other actors. The paper focuses on the managerial decision-processes, not simply the outcomes of those decisions.

The case material is presented in two stages. First, background information about the beer market in Cambodia is presented as a historical narrative. Second, the cybernetic model is used to analyze the way responses to the BP issue were constructed by managers at the company over the two cycles of interaction with the activist. Before introducing the case the cybernetic model used to frame the case is introduced and explained followed by a description of the research methods. The findings are presented and discussed followed by conclusions, limitations and the identification of areas for future research.

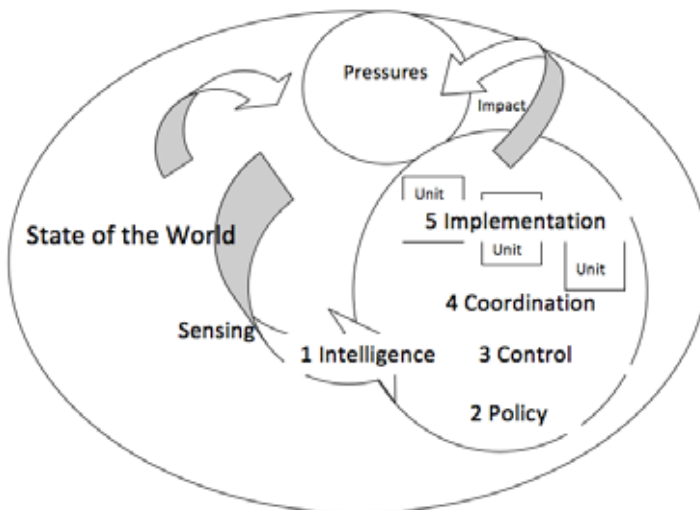
10.4. The Model

The cybernetic model of CR (Roome, 2012) is adapted from the work of Stafford Beer who was interested in understanding the key elements of any functional organization or viable system (Beer, 1984). The model was originally developed to provide insight into the functioning of organizations as their managers' sense and adapt to the pressures exerted on the organization by a changing context. The model was therefore seen as wholly consistent with leadership or strategic CR – where CR is seen as the policies and practices needed to contribute to the continued survival of an organization. The

model is based on an existential view of the firm. While the firm has a purpose or economic rationale, the firm's ability to deliver on that purpose depends on the capacity of its managers to respond to a range of relationships and changes - these appeal more to motivations, beliefs and values held by managers or expressed as company values or principles. These two categories of factors are mediated through the five elements of a viable organization. They are shown in Figure 10-1 below.

The first function of the model, 'Intelligence', refers to the capture of knowledge and the capacity for adaptivity, as the ability to sense and make sense of change. The function 'Policy' refers to many related concepts that either define the direction of action into the future such as vision, ambition, strategy, purpose, and intent or involve organizing concepts like structure and design. 'Coordination' is the function that involves the connection of value adding tasks or activities that protect value that take place in a company. The negotiation of resources by organizational units or departments and the instructions given to sub-units and sub-departments who then provide reports make up the fourth function in the cybernetic model: 'Control'. The fifth function, 'Implementation as Action', constitutes the tasks that create or add value or protect the value that has been created (Roome, 2012).

Figure 10-1 “Five Functions of the Viable Systems Model”. Source: Roome, 2012



This existential view simplifies the framework within which managerial choices are played out. The model has the advantage that it is concerned with relationships between the organization and its managers, its context, the actors in that context as much as with the organization's purpose. Moreover, these relationships are normally very complex. They are not all economic and not all signaled by markets. They are informed by beliefs and values and the understanding of the world possessed by

managers and other actors. The continued existence of the firm, its survival, depends on the ability of managers in the firm to maintain these relationships.

Moreover, within any organization managers interact with other managers and with external actors; meaning that firms do not operate as one unit but in multiple, different and possibly contradictory or paradoxical ways. Indeed this interaction between managers ‘is the organization’ while their interaction with others ‘defines the organization’. Finally, any action by the organization creates change that influences the organization and its external environment, leading in turn to further iterations of action and reaction.

In the cybernetic model CR is understood as ‘strategic’ – that happens when a firm reviews its relationships to the environment around its activities in a systematic way and then adapts its activities by adding new dimensions to what it previously did (Roome, 2012). This can lead an organization into a continuous cycle of adaption that runs from sensing, learning, through doing new things in new ways (innovating) that leads to a new cycle. That said the model should not be understood in any instrumental sense – the five functions of a viable organization say nothing about whether the functions are well conceived or acted out. The model should not be regarded as a view of reality but as a ‘lens’ that helps to describe how actors act and interact. As with all lenses it is the construction of those that use it to manage or to gain insight into management through research. In this way the model has properties in common with actor network theory of Latour (1987).

The following sections briefly outline the research methodology, followed by a short account of the context of the case, and then a detailed account of the company interaction and responses to the targeted campaign of the social activist.

10.5. Research Methodology

This case study is based on formal and informal material gathered during a longitudinal study, conducted as an organizational ethnography over the period January 2000 to September 2008. The material was collected by the first author, in her role as a project leader, a position created by Heineken in response to the issues that arose with the BPs in Cambodia. She held this position until September 2008. The information was gathered in real-time through participant observation supported by documentary material, notes on meetings as well as formal documented material. This author also had unique access to BPs in Cambodia, their clients and managers as well as the owners of the outlets where beer was sold. The position provided access to the full hierarchical reporting line; from sales representatives, through line managers, country managers in Cambodia, the regional manager up to the executive committee members at Heineken HQs in Amsterdam. The position

spanned actors inside the company, and across the value chain from the corporate center to a bar in Cambodia. This provided a unique vantage point from which to gather qualitative and quantitative data.

Hammersley and Atkinson (1997) have classified organizational ethnographies on a spectrum from 'complete observant', 'observer as participant', 'participant as observer' to 'complete participant'. As the engagement with the organization deepens so the level of subjectivity increases (Hammersley and Atkinson, 1997). The data collection for the case in question arose from a retrospective organizational ethnography, where the first author could be described as a 'complete participant'. In Van Maanen's (1988: ix) definition of ethnographic research he clearly states the need for a recorded set of observations made *in situ*. To this end the researcher kept notes of events and had access to meetings, reports and minutes, and also reflected on her experience of the social processes at play inside the company and around the issue of BPs. The process of moving from data set out in notes and documents only began once the first author was no longer directly involved in the case. As the role of a 'complete participant' can create problems associated with lack of distance between researcher and research subject, the supporting data and joint analysis shown by the authorship of the paper provides for a mix of detailed proximity to the subject together with some degree of analytical distance.

In addition to the data arising from proximity, the research also drew on sources that would be available to a study based on documents and interviews. This included 8 advice and coordination documents, 5 internal memos, 33 progress reports, 15 visit reports to Cambodia and 22 documents on industry meetings. These were analyzed by each author individually. In addition to this company data, external public documents from the NGOs and numerous other (research) organizations, media publications and websites were sourced, read and analyzed.²¹ The combined method thus draws on participant observations gained in 'real time' over a period of 8 years, and a review of internal documents and external material. The paper also balances the views of the three authors allowing triangulation of the data and triangulation of perspectives as a whole as a way to improve the validity of the findings (Yin, 1984; Eisenhardt, 1989).

Beer and Beer Promotion in Cambodia

Cambodia has a relatively low annual consumption of beer in liters per capita compared to the rest of the world, although according to the WHO consumption has been increasing steadily in the last decade (World Health Organisation, 2011). An estimated 40 beer brands were sold in Cambodia in 2009 consisting of both domestic and imported brands. When ordering a beer in Cambodia it is not a

²¹ All the data and documents are available upon request

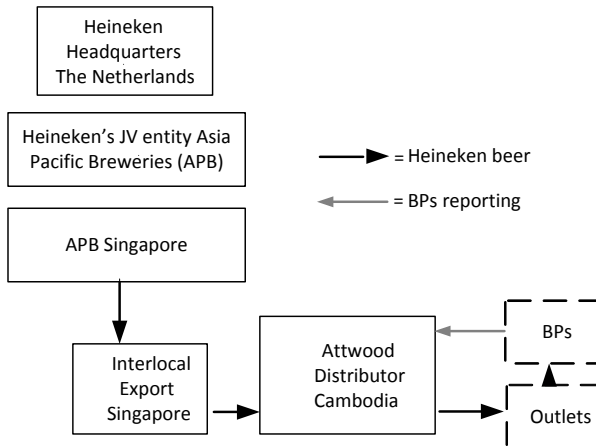
barman, behind a bar, or a waiter or waitress who serves you at a table, and taking your order from a menu card. In Cambodia at a bar, hostesses provide a traditional welcome. Beer Promoters (BPs) in branded uniforms then promote and sell the beer brand they work for directly at the tables of customers. BPs representing different brands are found in the same bar. BPs are the way by which beers are sold in restaurants, beer gardens, BBQs and karaoke bars. Only a small percentage of the beer in the country is sold in premium bars (where there are barmen or waiters at the table as found in North America or Europe) or off-trade markets (e.g. supermarkets).

BPs are employed directly by domestic breweries. BPs working for imported brands are not employed by international breweries but by local or regional distributors. On average BPs earn between 90 and 150 US\$ per month. This is above the average per capita GDP in Cambodia and in line with the Cambodian Labour Union Federation requirements. While pay is relatively attractive, the BPs work environment means they represent a vulnerable employment group. Employees working with alcoholic drinks always face occupational risks, familiar to brewers, and most of them have policies and actions to deal with these issues. There are additional risks for BPs because they do not work behind the relative safety of a physical 'bar' between them and their clients. Moreover, the competition between brands also results in competition between BPs selling different products. Furthermore, if there is any unexpected or uncontrolled behavior by clients that are under the influence of alcohol or the illegal use of drugs, there is less protection for the BPs.

Furthermore, the situation needs to be framed in the cultural context of Cambodia. In Cambodian society there is great gender inequality. As with many Asian countries, it is mostly men that go out drinking while most women stay at home during the evening. Men meet for an evening out in one of the many entertainment areas in Phnom Penh, Siem Reap or other Cambodian cities. Violence is widespread. Often they carry weapons for self-protection. This means BPs work in male dominated settings, drinking without other women present, and subject to risks from unpredictable behavior and exposed to potentially intimidating and violent situations.

Heineken beer sold in Cambodia is brewed in Singapore at Heineken's joint venture Fraser and Neave Ltd through Asia Pacific Breweries Singapore (APBS). The beer goes to Cambodia through the Singaporean export organization Interlocal Ltd and is distributed by the Cambodian distributor Attwood Ltd (see figure 10-2 below), who conduct all the marketing and promotion activities for the Heineken brand (alongside the other alcohol beverages they distribute). Attwood Ltd is the direct employer of all Heineken branded BPs.

Figure 10-2 Organizations involved in the brewing, distribution and promotion of Heineken beer in Cambodia

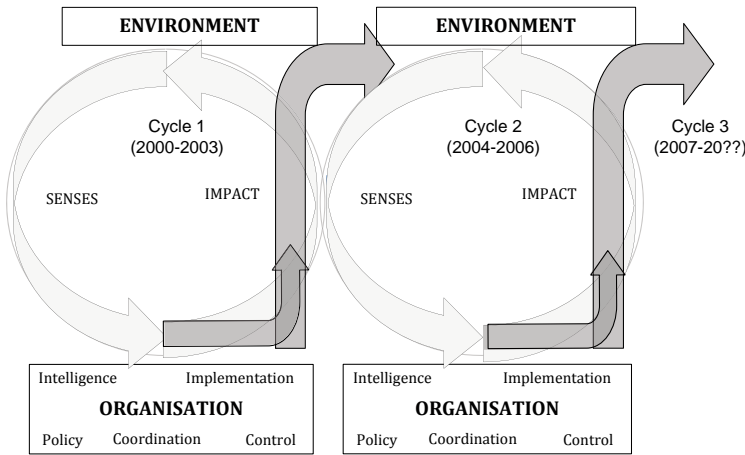


Heineken is positioned as a premium brand, targeting at mid-level and up-market consumers. Other premium brands on the Cambodian beer market include Beck's, Budweiser and Stella Artois (ABInbev), San Miguel and Carlsberg. Distributors in the premium-beer segment mainly market their products through events and advertisements, whereas BPs are used more commonly in the mid- and lower level beer markets. Heineken does not target the lower level market, although it has a significant share of the total market in Cambodia. Heineken's local distributor, Attwood Ltd, only employs a relatively low number of BPs (from over 200 before 2005 to 76 in 2011). Thereby the number of BPs promoting Heineken beer has moved from 5% to less than 2% of the estimated total number of 4000 BPs in Cambodia in 2003 (Quinn, 2003).

10.6. Analysis using the Cybernetic Model

The cybernetic analysis of the two cycles in the Heineken beer promotion case begins with pressures on the company leading to Heineken's organizational response (figure 10-3 below). For each cycle, the individual cybernetic functions are addressed. The narrative below is also divided into phases.

Figure 10-3 The interactive systems of the environment and Heineken in the BPs case



First Signs of Pressure (2000 – 2003)

Scientific studies in the early 2000s addressed the spread of the HIV in Cambodia. As with many other countries in the region it was viewed as an emerging epidemic. At this time some of the NGOs involved in HIV/AIDS work in Cambodia (e.g. NCHADS, Sirchesi) labeled BPs operating in bars as ‘indirect sex workers’ (Lubek, et al., 2009) these were not the only occupations labeled in this way. This identified a link between BPs, sex work and HIV/AIDS but placed BPs in a different category to the women who worked directly in the sex business. The Los Angeles Times (Schiffrin, 1998) and the Wall Street Journal (Marshall and Stecklow, 2000) made reference to the worrying HIV/AIDS statistics affecting indirect sex workers in Cambodia, including BPs. An activist, who works as a professor and as an NGO worker, followed up on these concerns, scrutinizing the activities of BPs and the companies that produced and distributed beer in Cambodia. Messages about BPs were presented through an NGO called Sirchesi - the Sirchesi website stated that “alcohol over-consumption amongst the beer promotion women has been fuelled by competition amongst the beer promotion women hired, but then underpaid, by the major international beer companies”. The activist’s websites developed a specific focus on Heineken, using pictures of Heineken branded BPs. It followed up with emails that were sent to Heineken stakeholders.

Intelligence at Heineken

Heineken learned about the accountability pressures it faced through its routine media screening activities. It picked up the statements from the social activist about BPs as indirect sex workers and the links to Heineken. In terms of numbers of followers the activist was of little significance to

Heineken, but he was highly dedicated and had access to specialized knowledge through the NGO he had set up in Cambodia. The activist had access to mass media and the actions with stakeholder groups including company shareholders revealed expertise in lobbying. Heineken asked its regional and local partners in Cambodia for comment on the claims. They stated that the environment for BPs who promoted Heineken products was not perceived as unusual or problematic in the Cambodian context. Nevertheless, the belief was shared amongst the departments at Heineken headquarters (HQ) that it was best to provide a response that demonstrated the company's willingness to take its social responsibility to the public and also to its BPs, despite the company's limited sphere of influence over the BPs issue in Cambodia. A visit report from April 2003 written on Cambodia by a member of Heineken's Global Health Affairs team mentions that it would be useful "to clearly show that Tiger and Heineken are the initiators of a program (*sic aimed at BPs*) and that other brewers will be welcome to join in a later stage..." (page 1). Internal consensus was reached at Heineken that it should make an initial response to this issue on its own to show a clear position and maintain its legitimacy.

Policy

Any response had to be informed by Heineken's existing policies. Three core values inform the way Heineken manages its internal operations or its impacts on the communities surrounding its breweries: 1) Respect for the individual, society and the environment, 2) Enjoyment, and 3) Passion for quality. Heineken also has a supplier code, applicable for Heineken affiliated companies where Heineken owns 50% or more of the shares of that company. Attwood Ltd was under contract by Heineken to distribute Heineken beer in Cambodia, so the BPs were not employed by Heineken nor by a Heineken owned or part-owned company. In these circumstances the supplier code did not apply.

In the absence of a policy that applied the Corporate Affairs department set about drafting a policy specifically for BPs (at the time called the 'Promotion Girl policy'). This covered Human Resource issues including selection, contracts, working conditions, medical care and privacy. The new policy also included work organization issues including supervision, transport to and from work, and uniforms. It addressed training and information, including ways to deal with difficult customers, alcohol-related issues, drugs, and other topics related to the BPs work environment. It set out implementation and monitoring structures including the roles to be taken by corporate departments at Heineken and Heineken's subsidiaries.

Coordination

Activists at Sirchesi had presented the BPs issue predominantly as a health issue. In response Heineken's Global Health Affairs (GHA) department took a leading role in formulating the

company's response. Managers in GHA have long experience of working on health issues with Heineken employees and family members in Sub Sahara Africa including matters linked to HIV/AIDS. They were committed to addressing health issues in a structural way, through training, advice, support as well as policies and systems. However, as BPs were not directly employed by Heineken, GHA had to align its approach with other departments that had the authority to influence the supply chain and contractee - Attwood Ltd. Given the absence of appropriate levers for control or to influence the field in which the company operated in Cambodia, it became an organizational challenge for GHA to create alliances with other departments within the company or to gain commitment through CR actions.

At this time, the Human Resource (HR) department at HQ was strongly focused on the development of the top 500 managers. The Marketing and Sales department emphasized their lack of influence on the route to market of the product. Heineken's regional office in Singapore stressed that this was the way beer was sold in Cambodia and that this limited their ability to influence practices in the field as a whole. As there was no local Heineken presence in Cambodia, and no health department on the ground, GHA at HQs established direct contact with the distributor's manager in charge of conducting Heineken sales and marketing as well as with the export company manager for Cambodia.

Control

GHA made a budget request for initiatives on BPs, which was approved by the executive committee at HQs. It allowed for the creation of a project team; a GHA middle-manager who was appointed project leader, a GHA medical advisor who previously worked for an NGO in the brothels of Phnom Penh, and the GHA director who had extensive experience of public healthcare in developing countries. A manager from the Corporate Affairs department drafted the BPs policy based on the findings written up by GHA and set out in visit reports.

New Intelligence

The concerns of the activist and the reports from the field did not provide sufficient material for evidence-based management. New intelligence was sought. BPs representing the Heineken brand as well as BPs working for other beer brands were interviewed. Field studies were done where BPs were 'shadowed' with their consent during working hours. This was done to increase the understanding of their work behavior, work conditions and interactions with outlet owners and customers. The shadowing involved the whole working period to take account of different levels of interaction and beer consumption by customers. Representatives of public sector and NGOs such as the National AIDS Authority of the Government of Cambodia, UNICEF, the Reproductive and Child Health Alliance (RACHA), Reproductive Health Association Cambodia (RHAC), CARE International, and

Médecins Sans Frontières were invited to provide input from their experiences and knowledge. Data was gathered from health surveys and on the system of public healthcare provision in Cambodia with a focus on HIV/AIDS.

Implementation as Action

GHA, in consultation with the regional office, requested the Singaporean exporter Interlocal Ltd and the distributor Attwood Ltd to help implement changes seen as necessary to improve the working situation of BPs as highlighted by Sirchesi and as found through this extensive field work. The regional Heineken office dealt with new contracts with Attwood Ltd and Interlocal Ltd. These included new requirements related to BPs health and safety at work. A partnership between GHA and CARE International was legalized through a Memorandum of Understanding that entailed a 160,000 USD 2-year training program titled 'Selling Beer Safely' - developed for BPs. Selling Beer Safely involved a 3-day training on topics such as relationships between men and women, contraceptive methods, sexual health facts and information, behavioral skills for sexual health, identifying and dealing workplace harassment, alcohol and drug use and health care options. Attwood Ltd was also required to revise the BPs' employment structure. Amongst other changes it was agreed that BPs would report to a female BP supervisor, work facilities were upgraded, a BPs meeting room was made available, health insurance was provided, a fee was granted for transportation to identified health care services and BPs were allowed to visit the medical centers during working hours. Moreover, BPs were informed that they were not expected to take orders from the owners of outlets as they worked for Attwood Ltd. A grievances procedure was established and communicated.

Outcomes and New Pressures (2004 – 2006)

An evaluation of the Selling Beer Safely program by the partner CARE International indicated that it was highly successful in improving the knowledge, attitudes and practices of BPs with regard to HIV/AIDS and other sexually transmitted diseases (Quinn, 2003). The revised employment structures implemented by Attwood Ltd, resulted in a significant improvement of the BPs labor conditions, including (paid) leave and written contracts in compliance with Cambodian labor law. However, the evaluation showed that rates of harassment experienced by BPs were still high and they continued to be pressured by customers to drink alcohol (Klinker, 2005: 2-3). Overall the approach created a better work environment for the 200 BPs promoting Heineken's products but had no effect on the 4000 other BPs working for other companies. For them their work was largely unchanged.

Despite the improvement made for Heineken BPs the activist strengthened efforts to put Heineken under pressure. A series of more concrete demands were formulated – a doubling of BPs' salaries,

introduction of methods to reduce their alcohol consumption and for Heineken to provide HIV/AIDS treatment. It is important to note that HIV/AIDS treatment is readily available at no charge through the Cambodian public healthcare system. A letter by the activist was published in the *Lancet* in which Heineken was accused of ‘gender-specific discrimination’. This was substantiated by comparing the provision of HIV/AIDS treatment to Heineken’s employees and their families in Africa (where there is no treatment available through public health services) (Van der Borgh et al, 2006) as against the situation for BPs in Cambodia, who were also described as Heineken employees (Van Merode, 2006). The international media took up these allegations referring to the claims by the activist about the Heineken-BPs –HIV/AIDS connection.

Intelligence

This negative media attention framed a second cycle of pressures on Heineken, leading to a new response. Managers collected intelligence through NGO progress reports and visits described in past and new visit reports. These were used together with the information available in the media. It was understood that the claims had moved from a focus on the health of BPs to their working conditions and apparent differences between BPs and other employees linked to Heineken products.

Policy

Managers at several HQ departments felt it time to consider a more structural strategy to tackle the BPs issue. This would seek to influence the field within which Heineken operated in Cambodia rather than the just the BPs who promoted Heineken beers. Two elements were seen as essential to this strategy: 1) it required increased knowledge about the cultural context in both traditional Cambodian and modern Western lifestyles, including better cultural understanding of gender (in)equality, the Cambodian regulatory context, corruption levels throughout society together with other contextual factors, and 2) the need to develop partnerships and a shared policy framework with other actors across the beer sector - the field in Cambodia.

Coordination

An inter-departmental steering group staffed by senior managers was created within Heineken. It included Corporate Relations, GHA, HR, Legal Affairs and Marketing and Sales. While all members of the steering group acknowledged the moral importance of the topic, they identified perceived barriers to action. The key point of disagreement was over the extent to which a structural approach would be hampered by the lack of management control over BPs. GHA actively tried to change its position in this steering group from leader to that of contributor because the issue had turned from a health issue for BPs to a wider question of CR – the relationship between Heineken and other actors in

the field to affect the working lives of BPs not connected to Heineken products. GHA was unsuccessful as there was little desire from other departments to take the lead role on the issue.

Control

The steering group identified four possible control responses. They also assessed the major issues around each of these options. The options were:

I. Option - Stop selling Heineken beer in Cambodia.

The issues identified and assessed were - By stopping sales entirely, BPs would not necessarily be better off, as nothing in the beer market or the beer consumption practices in Cambodia would change, beyond loss of the presence of Heineken beers and BPs. It was felt that the loss of employment opportunity as Heineken BPs would either push these women to look for work with other companies with lower standards or to seek possibly more risky work. There was a risk that parallel imports carrying the Heineken label would be sold through BPs or through non-Heineken related distributors to satisfy unmet demand – and this would not remove the association between the Heineken brand and the situation of BPs. Finally, at the time it was unclear to what extent the practices among BPs in Cambodia were to be found in other Asian countries. Withdrawal from Cambodia might set a precedent for retreat from other markets in Asia.

II. Option - Sales and promotion activities could be changed, so that BPs would no longer promote Heineken beer.

The issues identified and assessed were – As with the former option this approach would not create much positive impact on the field because of the small percentage of BPs working for Heineken relative to those working for other brands. For Heineken this option was essentially the same as stopping the sale of Heineken beers in Cambodia because at the time BPs had become the primary mechanism through which Heineken beer was sold.

III. Option – Heineken could set out to meet the new demands set by the NGO and activist.

The issues identified and assessed were – The activist's demands included the doubling of BP's salaries. Heineken had already improved work conditions and benefits and adjusted salaries upward. Salaries were considered to be in line with the job level, the working hours (BPs work part time), the labor market and labor laws. Departing from current levels would create inconsistencies with the company's business practices elsewhere in the world as well as eroding differentials. It was also not considered sensible, logical or consistent to provide HIV/AIDS treatment for BPs when this was publicly available in Cambodia. Moreover, in Sub-Saharan Africa employees were directly

contracted by Heineken in Cambodia BPs were not. Any agreement to provide HIV/AIDS treatment to the BPs would set a precedent for calls for HIV/AIDS treatment for anyone in the World performing activities connected in some way with Heineken branded products – whether or not HIV/AIDS treatment was available in their health care system.

IV. Option - Activities aimed to improve the working standards and conditions for BPs could be continued and scaled up across the market in Cambodia.

The issues identified and assessed were – Improving the working conditions of BPs would require a shift of behaviors among all those involved in the promotion and consumption of beer in bars in Cambodia. That would require the active promotion of an industry-wide approach designed to lead to behavioral change among outlet owners, customers and involving other beer producers. Implementing this option would aim for cultural and behavioral change. It was understood this was not an easy option due to factors beyond Heineken's control, it ran the risk of failure unless there was complete participation and the alignment of key actors in Cambodia. It would take considerable time to raise awareness, design policy, control, coordinate and implement. It would imply that Heineken was acting as a leader for other actors in the Cambodian beer market including 'competitor brand owners'. However, it was anticipated that only this option would lead to the required changes in the field.

Implementation as Action

The steering group chose to implement option IV, to improve the working conditions of Heineken BPs and to scale that up to all BPs in Cambodia. A regional Sales and Marketing staff member was appointed to coordinate with the exporter and the distributor. All Heineken-related organizations (JV entity, exporter and distributor) agreed to make a joint self-regulation statement. Various other brewers were approached. Only two joined the initiative: Carlsberg (owning local-based brewer Cambrew) and Diageo. Together, they created the Beer Selling Industry Cambodia (BSIC). Although there was initial interest for creating an industry-wide approach from brewers such as Anheuser Busch, Asahi, Bavaria, Boonrawd, Fosters, Imbev, Singha and others, this interest did not translate into membership of the BSIC.

The two main reasons for the reluctance of other potential partner companies to join the initiative was that they noted that Heineken faced the problem over BPs, in part, because it had taken a public stance and had acquired a reputation as a result of its work on HIV/AIDS in Sub-Saharan Africa and its promotion of a wider social debate on the BP issue in Cambodia. Despite what was seen as Heineken's good intent others also noticed the company being constantly under attack despite its work.

The other brewers also noted that Heineken's first round of self-regulation had decreased the mechanisms it had available to incentivizing BPs to sell its products. The brewers that chose not to join the proposed industry-wide initiative recognized that by staying outside they retained the possibility to use incentive systems that would make their BPs more receptive to consumers' demands in order to earn more money through tips.

In December 2006 the members of BSIC signed a self-regulation agreement based on nine statements. These related to compliance with Cambodian labor law of 1997 and provided regulation on: a fixed basic salary for BPs, clear supervision structures and grievance procedures, branded uniforms, transportation and driver policies, Selling Beer Safely and life skill training, zero tolerance of harassment, no alcohol consumption during working hours and monitoring of compliance and impact by an independent party. The BSIC stated in its formation document " ... BSIC recognizes its responsibility to improve the health and working conditions of beer promoters selling beer in the Cambodian consumer market. The industry body has agreed to industry standards and will use its influence to ensure that other stakeholders also comply with these standards."

The group initiated various coordinating activities with a spectrum of other actors in the field. BSIC organized workshops and conferences inviting NGOs, other brewers and beer sellers, the Ministry of Labour, the Ministry of Women Affairs, the national police and various other relevant constituents to participate. Heineken's distributor Attwood Ltd initiated marketing and sales campaigns that emphasized the dignity of BPs operating with the BSIC partners. BSIC developed awareness messages through sponsored TV and radio and undertook campaigns in beer outlets through education, information and awareness activities. Compliance with the BSIC self-regulation statements was monitored together with evaluations of the impacts of the initiative through various independent research organizations.

Heineken also reviewed the practices of its agents in Cambodia. Efforts were made at HQ to respond to numerous media requests arising out of the BPs issue. Regional managers and Corporate Relations managers collected more information on the cultural context of the BPs issue and explored the possibility for cooperation with other actors. Following in the footsteps of the GHA managers, they visited Cambodia and consulted with local actors. The steering group reviewed the effects of the company's top-to-bottom interlinked sales incentive system on the BPs' environment and work practices. The number of BPs promoting the Heineken brand was reduced. By 2011 Attwood Ltd reported having 76 BPs promoting the Heineken brand, compared to more than 150 BPs in 2010 and close to 200 BPs in August 2005. Attwood Ltd was urged to stop employing BPs that were not under

their direct sphere of influence (for example BPs operating in smaller towns and working for owners of outlets). Despite the widespread view that the letter to the Lancet that stimulated this second round did not accurately reflect the situation of Heineken BPs, the steering group decided to make no public response.

Postscript

According to the latest Indochina research report from September 2011 (Indochina, 2011) the working conditions for BPs who promote the brands of members of the BSIC have improved significantly during the period of 2008 - 2011. The number of harassment incidents for Heineken BPs was reduced; the use of alcohol during work is largely eliminated. Transparent and fair working conditions for BPs covered by the initiative have been implemented. The numbers of incidents or serious complaints of any kind decreased from 44% in 2008 to 6% in 2010 across the BSIC BPs who operate in Phnom Penh and Siem Reap. Improvements in conditions of employment, employment contracts, respect shown to BPs, the presence and awareness of grievance procedures and an ombudsman in the case of disputes have been recognized. All BSIC member companies had a positive response to the initiative. In contrast the BPs working for the non-BSIC members are still receiving extra tips for sitting down and drinking with clients, as a result of which they face significantly more sexual harassment from clients. These BPs report that their employers did not provide transportation to home after work.

The BSIC initiative had other, unpredicted effects. Immediately after the formation of BSIC, and the launch of its new self-regulation statements, Sirchesi renamed one of its websites 'BSICambodia'. This acronym 'Beer Sellers in Cambodia' uses the same BSIC acronym that stood for 'Beer Selling Industry Cambodia'. Web search using BSIC can direct the searcher to the activist website rather than the official website about BSIC members and their activities. Sirchesi has pressed workers' unions to confront Heineken with questions related to alcohol use, HIV/AIDS and BPs. This link between the overall BPs issue in Cambodia and the Heineken's HIV/AIDS programs in Sub-Saharan Africa is maintained despite the relative standards for BPs promoting Heineken and BSIC brands as against other companies. Ethical investor groups have been approached to ask questions related to the BPs issue at several of Heinekens' Annual General Meetings. Sirchesi reported their private dialogue and public actions towards the brewers and Heineken in their annual newsletters (2005, 2006, 2007, 2008 and 2011) and on websites.

In 2010 the Financial Times.com recognized the effectiveness of the BSIC. The article mentioned that the "Treatment of beer promotion girls in Cambodia has markedly improved in recent years as a

result of a successful partnership between the government, local non-government organizations, funded in part by the UN, and The Beer Selling Industry Cambodia, which represents Heineken and Carlsberg among others” (Moore, 2010, page 1). The initiative and this report have not brought any significant reputational benefits for Heineken. Non-BSIC members have remained under the radar and received no adverse publicity. No reference can be found to any action undertaken by Sirchesi or any other actors linked to Sirchesi that set out to address the situation of non-BSIC members. There is no scientific evidence of positive actions by Sirchesi to improve the working conditions or well-being of BPs through their own action with other partners, except through the campaigns against Heineken and BSIC.

10.7. Discussion

As background the paper argues that we are experiencing a form of social activism in which the strategies of activists are targeted at companies that have leading positions in CR. These companies have policies, practices and people in place to address a wide range of aspects of responsibility, including issues raised by activists, and their reputations are partially or largely shaped by their leading CR positions. That development brings forward important questions about the way in which managerial responses to targeted forms of social activism are created, given that the company’s reputation is at stake. It also raises numerous interesting questions about the extent to which a company targeted by a social activist’s campaign can accomplish change inside the company, its industry or the field in which it operates, given its CR leadership position.

The case shows how interactions between the company and activist evolved. As Heinekens initial company-centered activities did not satisfy the activist, the stakes became higher. Heineken explored the activist claims and identified three economic boundaries or limits. The management team determined that withdrawing from Cambodia would set a precedent that could be used to argue withdrawal from any country without Western-style bars. Raising BPs salary to the level advocated by the activist was seen as undermining the reward structure of the business in Cambodia and beyond. Providing HIV/AIDS medicines and treatments to all those linked to the company’s products was seen to set a precedent for a huge number of people who would become eligible to receive healthcare treatments following from any heightened risk of HIV/AIDS associated with the sale or consumption of Heineken products. These ‘economic’ concerns were less about the costs to the company of meeting the activists’ demands in Cambodia but more about their possible effects on the company in terms of its future operations in other countries. These assessments led to the conclusion that the only way to respond to the demands of the activist was by taking steps beyond the conditions of BPs involved with Heineken products by focusing on creating industry and field level change. However,

limitations to this approach arose when trying to create the pan-industry consortium needed to bring about that industry and field-level change.

Heineken promoted the BSIC option as a way to make a difference based on its values and economic judgments. However these values and economic judgments were not commonly held among other key business players in the industry operating in Cambodia. There was a mismatch between the assessments on the value of the BSIC approach to different companies. Heineken's competitors did not want to give up their organizational space for maneuver over economic considerations such as the incentive systems for BPs. The judgment by competitors on whether to participate in the BSIC initiative seemed to be based on an economic rationale about the market value of remaining outside the initiative. Also, it is possible to argue that Heineken's position of leadership in CR and its competence in the area gave rise to the activists concerns to promote field-level change, thereby undermining its ability to get other industry actors to participate. The height of the bar and the visibility that was being set by BSIC made it too risky for most other companies to participate. Finally most beer sellers in the industry did not sign the industry self-regulation that would establish policy, implementation, control and coordinating mechanisms on industry level. Better to stay under the radar screen of the activist by remaining outside BSIC than join and be associated with a visible controversy. Collaboration with Heineken would create the risk for competitors of targeted social activism aimed at them too.

Indeed the case suggests that social activism targeted on a leading CR company did not necessarily raise the performance of the field despite the efforts of the targeted company to provide leadership for industry and field-level change. That finding raises important questions about the ability of some types of targeted activism to affect change. It raises questions about the extent to which the motivation, strategies and outcomes of activism are aligned and are evident to the actors that are targeted and that shape the current field. The case suggests that when the motives and purpose for a social activist' campaign are unknown to the company that is the subject of the campaign, managers face large challenges in developing a response. As there might be discrepancy between the demands of an activist and his true motives, it is hard for the company to formulate a response in the absence of constructive and open dialogue between the parties involved. By using the cybernetic model this paper attempts to understand the interaction between the activist and the company in absence of this open dialogue. It shows how company values and policies were used in combination with economic analysis of the situation to arrive at actions that then resulted in a further targeted response from the activist. The dynamic interaction caused Heineken's managers to move from a series of in-house actions that affected Heineken and its agents to field-level actions that Heineken stimulated through the industry initiative in Cambodia. This development changed the unit of analysis of the cybernetic

model used to analyze the case from 'the company and its agents' to 'the field'. This was an important shift: the effect of the activist's pressure pushed Heineken into seeking to promote field level change.

Whilst Heineken's move from a company-centered response to a field-centered response changed the nature of the game, it did not seem to change the focus of the activist. In the first round the activist targeted Heineken and it could be understood as a confrontation between the activist and the company. During the second round the activist remained the focus and increased the claims on Heineken. Since Heineken judged that the root cause of the issues faced by BPs was at the field and societal level and it had limited possibilities to impact that situation on its own, the company pushed for field-level change involving multiple competing companies.

The outcome was that the company and the activist to date have not converged on solutions; rather they diverged from one another in their framing of the issues and in their responses. The case suggests that Heineken's managers tried to make sense of the motivations behind the activist campaign whilst not knowing or misunderstanding them, with the effect that the dynamic interaction between the activist and the company seemed to produce perverse outcomes for the company, the field and even for the activist. There was no forum within which the truth claims of the activist and the company could be shared and judged and there was no mechanism through which demands could be mediated.

There is no evidence on the conditions or pre-conditions for convergence and divergence of targeted social activism against companies from the existing literature. However, there have been studies of long-standing intractable disputes between companies or public agencies and the opponents of proposed infrastructure projects (Lewicki et al, 2003). These studies suggest that in at least some circumstances there is no interest on the part of the opponents to converge on mutually agreed solutions, even despite attempts at independent dispute resolution. In some cases actors can become 'entrenched' as their identities are shaped by their opposition to the other actor. It seems that this is because the activist has invested significant time and resources in developing knowledge of the issue and their opponent. Moreover, they may have made gains in their social or financial status stemming from the dispute. This can provide a motivation for wanting to see a dispute perpetuate rather than to see it resolved. Similarly, seminal work on environmental groups in the political processes has examined the interrelation between a group's internal form and their external mission and functions (Lowe and Goyder, 1983). This work distinguishes between groups that promote their interests against others, groups that push a particular area of interest within the political or social system, and groups that challenge policies and assumptions of the system. Lowe and Goyder's work already

highlighted the tactics of some groups to use a masque, for example by using claims about the importance of an issue to society while really being interested in their own more territorial interest(s). Obviously, these observations imply a fertile ground for future research on the dynamics of targeted social activism, company responses and the conditions and dispositions that lead to resolution or not.

Finally, we set out to understand more about the decision-making of managers as they responded to targeted social activism. In particular we analyzed how company values and policies on the one side and economic considerations on the other influenced decision-making and how these were mediated through basic organizational functions and relationships within Heineken and its agents, its industry and the field in which it operates in Cambodia.

In contrast to the work by Spar and La Mure (2003) which emphasizes the importance of economic analysis (based on cost-benefit or risk-benefit analyses) combined with the personal motives of senior managers in leading to responses to activists concerns, in the Heineken case it was the interpretation of existing company values and policies by senior managers that determined the broad direction of the company's response. That response involved a commitment to allocate resources to understand the real nature of the problem brought to the company's attention by the activist. It also caused the senior management team to look at the companies' policies and to review its structural ability to respond to the issue through control or co-ordination mechanisms it already had in place. This resulted in a revelation of a gap in the current policies as they had only been defined for employees directly employed by the company where it had managerial control. This meant that the company could not raise its own bar over the working conditions of BPs without putting in place appropriate policies and mechanisms for control and coordination that were agreeable to the distributor of its products. Resources were allocated to put in place a team capable of identifying and understanding needs of BPs and making the new guidelines for BPs work in Cambodia. Implicitly the economic considerations implied that the benefits to the company of consistency with its values and the maintenance of its reputation outweighed the direct costs attributed to setting up this team, the time devoted to creating and implementing new policies, the costs of those policies and the possible effects on market share of the actions that were taken in relation to BPs. This economic assessment was 'implicit' simply because the assessment of financial costs and benefits was not made in any explicit way by Heineken at any point in time. What was explicit was that the company maintained consistency with its values and standards and the responses to the activist were regarded as a cost for the company of doing business in Cambodia. Thereby the case shows a far more complex set of factors is at play in the process of decision-making by Heineken than is suggested by the work of Spar and La Mure (2003). It indicates the important role of evidence, codified company values or business

principles, managerial interpretations of those principles and a number of economic considerations. The case also points to the importance given to the assessment of the adequacy of existing policies, and mechanisms for control and coordination, as well as looking for ways to implement change. The formulation of new policies, and the means for the control and coordination of actions implied some managerial innovations.

How economic assessments and corporate principles, combined with policies, controls and coordination mechanisms in the work of management teams set up to respond to responsibility issues, and, how their assessments are argued with the senior management and boards of companies – is not only a matter of serious interest for future research – it will shape the future of business and society. Indeed the evidence from cases of this kind not only informs scholarship, but it influences the choices and actions of managers and activists and can make its way into the development of managers in business schools and other centers for management education and development.

10.8. Conclusions

We are entering a new period of social activism targeted on companies with high level commitments to CR with staff who are more dedicated and knowledgeable than ever before. This paper explores the factors that contribute to this development and considers some of the implications for business and society, companies, management, and research. Despite calls for more case research looking at managerial responses to social activism we identify that there is precious little empirical research that has studied the interaction between activists and the decision-making of managers, and the consequent outcomes for business and for the individuals and organizations that surround the social issues that provide the focus of activism. Existing cases predominantly look back at events through interviews and documentary evidence. The view taken by those papers is often from the vantage point of the activist and less from the viewpoint of the company and its managers. Our research has looked at managerial decision making in companies confronted by these issues through a longitudinal study that took place as events unfolded.

The case differentiates between the contribution of company values and policies and economic considerations as factors in decision-making as well as the capacity to effect change through policies and mechanisms for coordination and control. It illustrates the way company values and policies are used in combination with economic factors to influence managers in the options they assess for future action. It goes further by suggesting that other factors also conditioned the decisions made and in turn influence outcomes – these factors center around the basic functions of any organization – sensing and making sense of changing contexts and the motivation(s) of activists, the policies that are in place or that are needed in relation to the nature of the problem, assessment and ability to actualize structures

available for control and for co-ordination and those used to take action. The paper also illustrates how these factors connected with other actors beyond the targeted company and the case gives some indication that industry and field level change needs willing collaborators with shared commitments to resolution of the issues.

The study indicates that it is not easy for managers to know what the motivation is for social activism. While activist claims are normally clear, the reasons for those claims are often obscure and remain obscure. Moreover, the case suggests that paradoxical outcomes can arise from targeted activism. From a company perspective progress can be made on the issue at hand yet reputations can still be tarnished. Campaigns can fail to deliver field-level change paradoxically because the company targeted to leverage change is a leader in the area of CR.

In terms of the methodology and findings from the research some important limitations have already been mentioned. This study focuses on the case of one beer seller in Cambodia as seen from the company's perspective. We know the case and the analysis could have been cut many other ways – from the viewpoint of the activist, the company, the activist and company, the field as a whole, a comparison of the response of two companies in the field and so on. Each of these approaches has its own research purpose, methodological opportunities and limitations.

In the absence of other studies what was done empirically and reported in this paper is a first attempt to present results from a longitudinal, multi-level study of the effects of a particular social activism strategy looking out from the management teams that were formed in response to the activist's pressure. We do not make claims about the generalizability of our findings. This type of case seems to be relatively rare but the more recent Nestlé palm oil issue of 2010 suggests that it is highly likely that similar examples of campaigns targeted on leaders in CR will occur in the future. However, while the case is presently unique what is suggested by the findings of the case is not trivial. And given the poverty of theory and empirical evidence at this level of study our intent was to explore the case in depth and capture its essence so that in time other scholars might add similar cases and in that way provide a foundation for the development of 'grounded theory' of managerial decision-making in response to social activism and CR.

Despite the limitations of this single case we suggest that the approach used offers the reader the possibility of real insight into the complex, dynamic, ragged and uneven process of interaction, decision-making and change. Processes that will become more important and more evident into the future of business and the social and environmental concerns businesses raise for society. We also acknowledge that the use of the cybernetic model of CR has enabled more insight to be gained about how matters unfolded than has been possible from previously published cases. In fact this case

represents the first occasion that this model has been used to structure a company's response to a CR issue. The findings from using the model in association with the case method suggest that the model deserves to be applied in other situations where companies are responding to changing settings and activist demands.

Abbreviations

BP_s Beer Promoters

BSIC Beer Selling Industry Cambodia

CR Corporate Responsibility

GHA Global Health Affairs

HQ_s Head Quarters

HR Human Resources

JV Joint Venture

NGO Non-Governmental Organization

Chapter 11

Conclusion²²

Abstract

This thesis explores the paradox that there are many organizations that are ‘doing good’, but that this ‘doing good’ is not good enough in the sense that it does not effectively tackle the worlds’ social problems. In the introductory chapter, by zooming in on the presence of this paradox in the philanthropic sector, three causes for the paradox were identified: 1) Goal incongruence, 2) Lack of results measurement, and 3) Information asymmetries. The first half of this thesis (ch. 2-5) explored the second cause, the lack of results measurement. The second half of this thesis (ch.6-10) explored businesses that aim to ‘do good’ through CSR and corporate philanthropy, and the extent to which we know whether this type of ‘doing good’ is effectively contributing to social problems. First, the results from these chapters will be discussed in this concluding chapter. Second, preliminary solutions for the two other causes that have been identified for the occurrence of the paradox in the philanthropic sector, goal incongruence and information asymmetries, are proposed. Third, a framework is developed that translates some of these solutions into concrete suggestions for managers. Last, a future research agenda is proposed.

²² This chapter is based upon ideas that have been developed through many inspiring conversations I have been lucky enough to enjoy during the course of my PhD program with my supervisors, academic colleagues, as well as many practitioners.

11.1. Introduction: The Paradox Denuded?

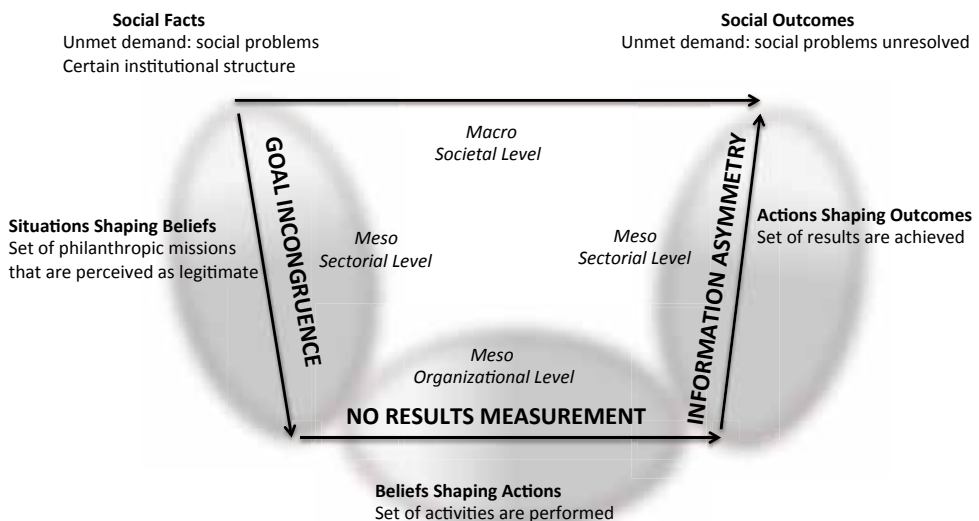
The underlying premise of this thesis is that despite the large amount of organizations that are ‘doing good’, it is likely that many of these efforts do not effectively contribute to solving the social problems that we face in the world today. In other words, there is a lot of ‘doing good’ but it is not good enough. In the introductory chapter, a focus on the philanthropic sector shed light on the main causes of why this paradox can occur in this sector. Three main causes were revealed by conceptualizing the occurrence of the paradox in the philanthropic sector with Coleman’s boat (1990), which aided in creating a multilevel analysis that links macro-level phenomena to the underlying meso level conditions. These causes are: 1) goal incongruence between the private sector, government, and philanthropic sector, 2) a lack of results measurement at the organizational level, and 3) information asymmetry in the market of ‘doing good’ (between philanthropic donors and operating organizations).

The first half of this thesis (chapters 2-5) focuses on the cause of the paradox at the organizational level: the lack of results measurement (the floor of the boat in figure 11-1). The second half of this thesis (chapters 6-10) focuses on businesses that practice CSR and corporate philanthropy. In these chapters the status of our knowledge about the extent to which this ‘doing good’ by corporations contributes to tackling social problems is studied. In this concluding chapter the main conclusions from the chapters will be summarized. Moreover, the insights gained from these chapters on the extent to which the causes of the paradox as identified in the philanthropic sector are relevant for businesses practicing CSR and CP will be discussed.

Furthermore the other two causes of goal incongruence and information asymmetry will shortly be explored. Although the depth of this analysis will not equal the emphasis in this thesis on impact measurement, preliminary suggestions will be created that might provide initial steps towards mitigating these causes. First, information asymmetries between operating organizations and grantmaking or investing organizations, that hamper allocative efficiency in the market of ‘doing good’, are explored. The formulation of a mission exchange rate is explored as a way to make information about the relative effectiveness of operating organizations available to donors and investors. Second, the problem of goal incongruence between sectors, the second cause for the paradox that was discussed in the introductory chapter, is addressed. It is argued that there needs to be increased attention for the legitimacy of the actions of organizations that attempt to ‘do good’, both at the level of the selection of the mission (relevant social problems that specific organizations are most competent to address) and at the level of specific interventions (cost-effective interventions that specific organizations are most competent to address).

Subsequently, the question of how the insights gained in this thesis can be used in practice to aid organizations that aim to ‘do good’ to become more effective in solving social problems is discussed. A strategic framework is presented that is guided by a so-called ‘REFLEct analysis’, which helps organizations, whether operating or not, to develop strategies for their organizations that contribute to their potential to effectively solve the social problem of their focus. Lastly, the implications of this thesis are discussed and a future research agenda is developed.

Figure 11-1 Analysis of the paradox that ‘doing good’ is not good enough based on Coleman’s boat (1990), showing the three areas of causes that have been identified in this thesis



11.2. Conclusions of Individual Chapters

Strategic Impact Measurement

These chapters provide insight into the lack of results measurement in operating organizations, one of the causes that was identified as contributing to the occurrence of the paradox that ‘doing good’ is not good enough in the philanthropic sector. From the chapters it seems clear that it is crucial for organizations to measure their impact, both in order to evaluate the extent to which their efforts make a difference as well as to allow for the improvement of their effectiveness. However, the research in these chapters also supports the existing evidence for the current lack of this results measurement, and thus illustrates the need for progress.

The chapters touch upon a number of the barriers that organizations face in order to measure their results. These barriers include confusion about the concept of impact (chapter 2), the advocacy against the measurement of reach despite its important role for evaluations (chapter 3), a lack of knowledge about organizational characteristics that contribute to evaluation capacity (chapter 3), and low evaluation utility (chapter 4). Thereby the chapters contribute to both the academic debate about results measurements as well as practitioners' abilities to evaluate.

Chapter 2²³ discusses how the lack of a clear definition of the concept of impact hampers research on the subject (because it is hard to aggregate and generalize results when definitions differ or are absent altogether) and the practice of impact measurement (because the academic confusion magnifies in practice, which result in many different definitions of the concept of impact) (Ebrahim and Rangan, 2010; White, 2010). Through a systematic conceptualization process two subtypes of impact emerge: mission related impact and public good impact. The first, mission related impact, is defined as the impact achieved relative to the specific intent formulated in the mission statement (or for programs, projects, and policies, relative to their specific goals). Mission related impact is a measure of the advancement of the organization (program or policy) on its mission (or goals). Thereby, when corrected for costs, it indicates the relative cost-effectiveness of the organization (program or policy). The second subtype of impact is coined public good impact. Public good impact is defined as the net impact of all intended, unintended, positive and negative sustained changes on social welfare. As such, it is a broader concept than mission related impact, as it captures the net effect of the organization, program or policy, on society. However, the operationalization of public good impact is much more complicated as, faced with a lack of a universal set of components that constitute what is understood as being valuable in society, it is eventually up to the individual researcher or practitioner conducting the measurement to define the boundaries of this concepts (Berk, 2011; Duflo, 2011). The discussion of the concept of impact, and the distinction between the two subtypes of mission related impact and public good impact, reduces the threats to the measurement validity in academic studies on impact. It also decreases the confusion of practitioners that aspire to measure their impact.

Chapter 3²⁴ revisits the popular claim that organizations should refocus their evaluations beyond simply measuring an organization's reach, which refers to the number of beneficiaries that the activities of the organization affect. This advocacy is based on the argument that measuring whether a beneficiary has been affected by an activity does not inform us about the impact this activity has had

²³ This chapter is based upon:
Liket, K.C. and Maas, K.E.H. Measurement Validity in Impact Research and Measurement: Do We Know What We Are Talking About? (**Under Review** with *Evaluation Review*)

²⁴ This chapter is based upon:
Rey-Garcia, M., Liket, K.C., Ignacio-Alvarez, L. and Maas, K.E.H. Back to Basics: Revisiting the Relevance of Beneficiaries for Nonprofit Impact Evaluation (**Under review** with *Nonprofit and Voluntary Sector Quarterly*)

on that person's life, and thus whether any of the social problems the organization set out to solve have been resolved. However, as is argued in this chapter, it is important to recognize that in reality most organizations do not engage in any type of evaluation. Consequently, academics and practitioners advocating for organizations to 'go beyond simply counting beneficiaries' and to start measuring 'true impact' leave operating organizations confused as it is still unclear what impact means and how it should be measured. Moreover, measuring reach is a fundamental prerequisite for any type of impact measurement. Consequently, in this chapter the concept of reach is revisited in order to both demonstrate its valuable role as a first building block in evaluation, and to aid organizations in measuring it.

The second argument in this chapter is that reach is a valuable variable to study when attempting to gain insight into the extent to which organizations are evaluating, and it can thus inform us about the ability to develop the capacity of organizations to evaluate more. Current studies that inquire into the measurement practices of organizations (i.e., the frameworks, methods and tools that they use), or directly ask whether organizations measure their impact, are highly vulnerable to biases. First, there is a clear desirability bias as most organizations are well aware that they are supposed to be engaged in impact measurement. Second, as there is much misunderstanding about what the concept of impact actually means, the measurement validity of these studies is undermined. In response, a study is conducted into the extent that organizations measure their reach in Spain and the Netherlands. The results illustrate that there are a number of organizational characteristics that increase the likelihood of organizations to measure their reach, including directly serving beneficiaries as opposed to intermediaries, running local or regional programs, engaging in social services or international development and being older organizations. These findings imply the relatively greater evaluative capacity in organizations with these characteristics and thus the need for capacity building efforts to be contingent on these characteristics.

Chapter 4²⁵ addresses the struggle that organizations face in attempting to measure their impact by firstly providing practical conceptualizations of the central objectives of evaluations. Secondly, it proposes a framework that can guide the negotiation processes between the relevant stakeholders in evaluations that an increasing body of evidence highlights as being crucial to achieving evaluation utility. This framework presents the relationships between the evaluation purpose, evaluation question, and the different levels of effects (e.g., output, outcome) that an organization needs to measure. It is argued in this chapter that the selection of the method with which the evaluation is conducted should

²⁵ This chapter is based upon:

Liket, K.C., Rey-Garcia, M. and Maas, K.E.H. (forthcoming). Why Aren't Evaluations Working and What to Do About it: A Framework for Negotiating Meaningful Evaluation in Nonprofits. *American Journal of Evaluation* (Accepted for Publication)

be contingent on the choices made within this framework, as methods vary in the extent to which they are suited to measure various levels of effects.

In *chapter 5*²⁶ a model is created that aids operating organizations, in face of the absence of meaningful tools to evaluate effectiveness at the organizational level, to implement best practices that are believed to contribute to enhancing this effectiveness. The extensive body of literature on determinants of nonprofit effectiveness is used to develop a set of management practices, and these are tested through integrating practitioner views of best practices that enhance effectiveness. It is important to note that the implementation of these best practices is in no way a substitution for measuring results.

‘Doing good’ with CSR and CP?

In the second half of this thesis the business practices CSR and CP are explored that, potentially next to other parallel objectives, attempt to contribute positively to society. Insight is gained into the status quo of our knowledge about the extent to which these forms of ‘doing good’ are effectively contributing to tackling social problems.

In *chapter 6*²⁷, an overview is provided of the literature on CSR. It is found that despite the richness of the literature on social responsibility, it does not compose an autonomous field of theorizing. Instead, the field consists of a receptacle and an area of application for a large number of theoretical approaches. This multidisciplinary is reflected in the wide range of conceptualizations of social responsibility that are sometimes conflicting. The review shows that very little research has been devoted to gaining understanding of the process through which practices of social responsibility have become such a widespread phenomena. Moreover, this overview illustrates the imbalance between the relatively large amounts of attention that has been given to the business outcomes of CSR, while hardly any research has discussed the impact of CSR on society. Thereby this literature review confirms the lack of academic knowledge about the extent to which CSR is effectively contributing to solving social problems.

²⁶ This chapter is based upon:

Liket, K.C. and Maas, K.E.H. (forthcoming). Nonprofit Organizational Effectiveness: Analysis of Best Practices. *Nonprofit and Voluntary Sector Quarterly* (Published online first on 16 November 2013)

²⁷ This chapter is based upon:

Liket, K.C. and Heugens, P.P.M.A.R. (2012). Approaches to Sustainability. *Oxford Bibliographies Online*, Oxford University (Published). Available from: <http://www.oxfordbibliographies.com/view/document/obo-9780199846740/obo-9780199846740-0037.xml>

*Chapter 7*²⁸ presents a thorough systematic review of the literature on CP. Empirical research indicates that corporations of all sizes, and both in developed and emerging economies, actively practice corporate philanthropy. However, the research is hampered by the disadvantaged status of the concept, as it is portrayed as one of the least effective forms for companies to practice their CSR. In contrast to the status of CP, the overview shows that CP is loaded with unique characteristics, strengths, and weaknesses, and both conceptual and practical challenges that require renewed attention because of the significant gaps in the knowledge about CP. Most importantly, it reaches a similar conclusion to the review of the broader concept of CSR; most of the research on CP has centered on motivations and determinants of CP, as well as the business outcomes of CP. In contrast, few studies have studied the outcomes of CP for society, resulting in limited knowledge of the effectiveness of CP in tackling social problems.

In *chapter 8*²⁹, the proposition that strategic philanthropy is the marriage of socially responsible behavior of corporations (benefits to society) and corporate financial performance (benefits to the firm) is put to an empirical test. Thereby this study builds on previous research by Maas and Liket (2011), where an increasing trend was found in the three dimensions of impact measurement that were studied (social, business, reputation and stakeholder satisfaction), with 62-76% of the companies in the sample of companies listed in the Dow Jones Sustainability Index (DJSI) measuring at least one dimension of impact. This finding is surprising considering the lack of common practice in impact measurement of social value, and it should therefore be questioned to which extent the data represent true measurement of the extent to which firms' philanthropic activities contribute to tackling social problems. In contrast to the study by Maas and Liket (2011) of companies in the DJSI, the aim of chapter 8 was to uncover whether firms are measuring their impact, what kind of impact (social or business) they are measuring, and what factors can explain whether companies measure their business and social impact. Thereby this study aims to uncover whether there is a trend towards the simultaneous measurement of business and social impact, as the strategic philanthropy rhetoric would imply. The results show that only a limited number of companies listed in the DJSI engage in the measurement of both business and social impact, implying that the practice of strategic philanthropy in this sample of companies is rather limited.

Moreover, the results show that the overall corporate social performance (CSP) of companies is the most important explanatory factor for engagement in strategic philanthropy. This indicates that the

²⁸ This chapter is based upon:

Liket, K.C. and Simaens, A. (*forthcoming*). Battling the Devolution in the Research on Corporate Philanthropy. *Journal of Business Ethics* (**Published online first on 10 November 2013**)

²⁹ This chapter is based upon:

Liket, K.C. and Maas, K.E.H. Strategic Philanthropy: A Happy Marriage of Business and Society. (**Under Review** with *Business and Society*)

general approach a company takes towards its social responsibility is an important predictor of its engagement in strategic philanthropy. This finding contrasts with previous conceptualizations of CSP as a replacement of corporate philanthropy (Porter and Kramer, 2006; Bowen, 1953). Instead, it indicates that companies are more likely to be strategic in their philanthropic behaviour, observed by their simultaneous measurement of their social and business impact, when their overall commitment to their social responsibility is strong.

In *chapter 9*³⁰, the process through which CSR has been so widely institutionalized is explored by revisiting the literature with a process lens. Four phases are identified. In the first phase, highly visible multinational corporations (MNCs), especially those in sectors that frequently face social challenges such as child labor and environmental catastrophes, adopted a reactive form of CSR to protect their reputations (reactive CSR). In the second phase, a next wave of MNC's adopted a more proactive form of CSR motivated by a desire to keep up with the practices of their peers and the leaders in their organizational fields (isomorphistic CSR). Consequently, in the third phase, rationalizations from academia and practice occurred in order to justify this sudden adoption of CSR among a wide range of companies (rationalized CSR). Through normative, regulative and cognitive mechanisms these rationalizations drove the fourth phase of wider-spread adoption and institutionalization of proactive CSR among almost every type of corporation, including small and medium enterprises (SMEs) (proactive CSR). The increased understanding of the institutionalization process that this chapter provides validates the call for critical questions about the global trend of CSR. The risks that accompany CSR, especially for society through the possible negative externalities of CSR programs, and its vulnerability to abuse, deserve serious attention. Moreover, the absence of evidence for the business benefits of CSR is less surprising when considering that the greatest gain of engagement in CSR resides in increased legitimacy. Hereby this chapter also confirms the lack of knowledge on the effects on society of CSR, and highlights the need to increase this knowledge.

Lastly, *chapter 10*³¹ zooms into a specific case where a social activist and a corporation engaging in CSR are in conflict with one another. Although social activism is usually researched from the perspective of the activist organization, this chapter presents a longitudinal analysis of the managerial decision making in the company that the activist targeted. The study indicates that the motivations of the social activist are often unclear to corporate managers. The results show that this targeted form of social activism where the social activist persistently focuses on a single MNC with a highly visible

³⁰ This chapter is based upon:
Liket, K.C. and Maas, K.E.H. Is Contemporary Corporate Social Responsibility a Rationalized Myth. (**Submitted to *Journal of Management Studies***)

³¹ This chapter is based upon:
Cranenburgh (van), K.C., Liket, K.C. and Roome, N. (2013). Management Responses to Social Activism in an Era of Corporate Social Responsibility: A Case Study. *Journal of Business Ethics*, 118(3): 497-513. (**Published**)

brand (in this case Heineken) with the aim to bring about field level change can be limited in its effectiveness. This is because this type of aggressive activism leaves little room for corporate managers to figure out how to make progress on tackling the social issue at hand. Moreover, the campaigns can fail to deliver field-level change because the company targeted to leverage change is already a leader in the area of social responsibility, and is willing to go much further in devoting resources to realizing social change than its peers. This can result in great resistance of those peers to participate in any collective actions, as their commitment to corporate social performance is less strong. As a result, less total change is realized.

Overall, these chapters that constitute the second half of this thesis illustrate that the attention in the academic research for the extent to which CSR and CP contribute effectively to tackling social problems has been extremely limited. As a consequence, it remains difficult to assess the extent to which the paradox that ‘doing good’ is not good enough occurs here. The difficulty of assessing the extent to which CSR and CP contribute effectively to tackling social problems that stems from the lack of research on the topic is partially caused by a lack of measurement of the results of CSR and CP activities by businesses. Assuming that at least a part of the businesses practicing CSR and CP are not optimally effective, this lack of results measurement is also likely to play an important role in causing the possible ineffectiveness of this type of ‘doing good’. The contributions of the chapters on the impact and its measurement in the first half of this thesis can therefore also be helpful in advancing the ability of both the academic study of the social impact of CSR and CP and the measurement of social impact by businesses that practice CSR and CP to optimize their effectiveness.

Next to the crucial role of the lack of results measurement in causing the paradox that ‘doing good’ is often not good enough, two other causes were identified in the introductory chapter: goal incongruence information asymmetries. These are discussed below.

11.3. Information Asymmetries

“In an effective system, innovative nonprofits with the best management and social change agendas would grow in scale and scope while less effective and efficient ones would diminish and eventually disappear” (Kaplan and Grossman, 2010, p.2).

In a 1999 *Harvard Business Review* article, Allen Grossman argued that the structure of the marketplace of organizations that aim to ‘do good’ did not motivated managers of operating organizations (e.g., nonprofits, charities, social enterprises) to primarily pursue their organization’s mission. Although the debate about impact measurement has certainly focused attention towards the effectiveness of projects and organizations, this thesis shows that most organizations are still struggling to systematically measure their impact. In the decade that has past since Grossman’s article,

this marketplace seems to have been unable to fundamentally change. Resources still flow to organizations on the basis of proxies of effectiveness, such as their ability to operate with low overhead ratios, and there is simply not enough information available to donors to make a meaningful comparison of the impact that operating organizations achieve (Goggins Gregory and Howard, 2009; Lowell et al., 2005; Tinkelman and Donabedian, 2007).

At an aggregate level, this ‘mismanaged’ flow of resources results in a lack of allocative efficiency in this market of ‘doing good’. When there is allocative efficiency in a market, it is “organized to provide its customers the largest possible bundle of goods and services given the resources and technology of the economy. That is, allocative efficiency occurs when no possible organization of production can make anyone better off without making someone worse off” (Samuelson and Nordhaus, 1998). A range of causes has been identified to explain this inefficiency in this market of ‘doing good’, of which an overview of a number of them is provided in table 11-1 (please refer to the appendix for a number of existing initiatives that have risen in an attempt to tackle some of these problems (table 11-2)). In this thesis the focus has been on what is viewed as a primary cause for the lack of allocative efficiency in this market: the lack of information on the impact that operating organizations achieve.

Table 11-1 A number of characteristics of the philanthropic market that inhibit allocative efficiency (based on Emerson (1998); Grossman (1999) and Meehan, Kilmer and O’Flanagan (2004))

Characteristics of the philanthropic market	Emerson (1998)	Grossman (1999)	Meehan, Kilmer and O’Flanagan (2004)
<i>Isolated grantmaking</i>	Grant making in isolation	Donors operate independent of each other	(no) cost-efficient processes, with low transaction costs
<i>Irrational grantmaking</i>	Various investors, various instruments	Donor motivation varies greatly within the market	(no) value driven allocation, with investors rewarding better performers
	Market “Insiders” versus market “Outsiders”	Criteria for capital allocation is idiosyncratic, opaque, ambiguous and based upon personal relationships and reputation	
<i>Variations in timeframes for results availability</i>			(no) robust information flow, with data on value and risk up-to-date available
<i>Capital not tailored to organizational development stages</i>	Underdeveloped concepts regarding the meaning of “Going to Scale”	There are few identifiable sources of capital dedicated to each organizational stage	
<i>Inflexibility of assets</i>			(no) flexibility, wherein assets can be bought and sold quickly and easily

To shed light on the importance of impact measurement to the efficiency of this market, it is helpful to consult two well-established economic theories: transaction costs and principle-agent theory. First, transaction costs assists us in understanding the basic question of why organizations that aim to ‘do good’, such as philanthropic foundations and corporate foundations, contract operating organizations (thus creating a market that subsequently can be efficient or inefficient) to implement the projects that they think will advance their missions (Coase, 1937). Transaction cost theory explains the existence of the organization by arguing that, due to imperfect information and the many transactions involved in an actual implementation process, it is more efficient for the rational agent to organize himself in a hierarchical institution, which, in the case of for profit organizations, is the firm (Moe, 1984). Although there are competing theories, such as Alchian’s system level evolutionary perspective of the firm (Moe, 1984), transaction costs theory is widely accepted as providing the main explanation for the existence of organizations in the economic landscape. In the context of organizations that aim to ‘do good’, donors and investors could be viewed as reducing their transaction costs by contracting operating organizations to implement projects that they deem valuable. Thus, although this market might be inefficient, having no market at all would probably be more inefficient.

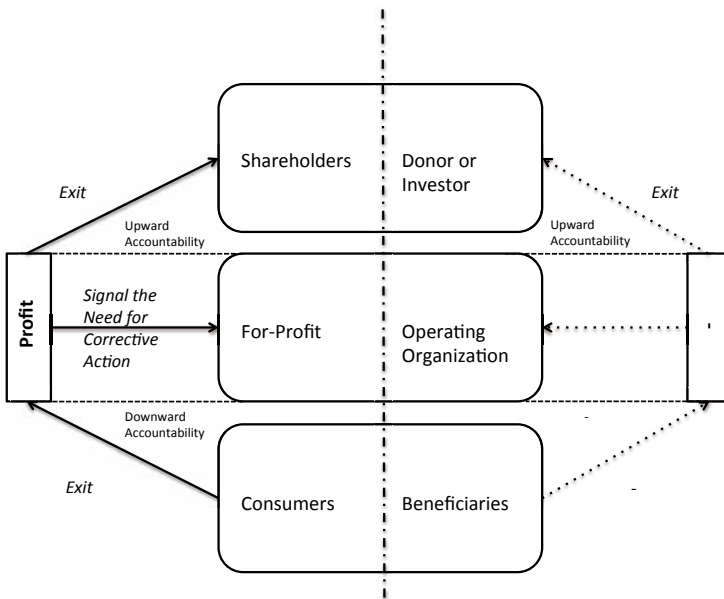
Second, the relationship between the donor or investor and the operating organization could be depicted as a principle-agent relationship. The principle-agent model analytically expresses a relationship in which two parties enter a contractual agreement where the principle is dependent on the agent to produce the desired outcomes (Moe, 1984). Hirschman (1970) outlined how, in the principle agent relationship, the principles can have three accountability mechanisms at hand: exit, voice and loyalty. Accountability is “*generally interpreted as the means by which individuals and organizations report to a recognized authority... and are held responsible for their actions*” (Edwards and Hulme, 1996b, p.8). In most cases, donors can easily chose to stop funding an operating organization and move their resources elsewhere as they have the strongest accountability mechanism to hand: they can chose to exit.

However, due to the asymmetry of information between the operating organization and the donor or investor, there is a moral hazard whereby the operating organization is incentivized to provide only the type of information that motivates its donors and investors to continue supporting them (Moe, 1984). Currently, donors and investors rely on proxies of effectiveness, but most often these proxies do not inform them of the ability of the operating organization to effectively solve social problems and thus achieve impact. These proxies mostly take the form of uninformative indirect indicators such as input (money donated) and output (activities undertaken) level effects. Moreover, donors and

investors currently rely on selected self-reported information voluntarily provided by the organization and which is poorly regulated and controlled (Ebrahim, 2003).

In the case of for-profit organizations, customers have the ability to exit their relationship with a firm when it does not perform to their expected standards simply by no longer purchasing the products or services it offers. Consequently, profit levels are negatively impacted and shareholders (the principles), who review the performance of the firm (the agent), are motivated to move their resources elsewhere. Because the beneficiaries of operating organizations often receive a product or service free of charge, and have limited alternatives available, they have no enforcing accountability mechanisms (exit) at hand to signal their preferences to the operating organization, nor do they have incentive to give feedback about this performance to the donors or investors (voice). Figure 11-2 illustrates this absence of a strong accountability mechanism in this market of ‘doing good’ in comparison to strong accountability mechanism of exit in the for-profit market.

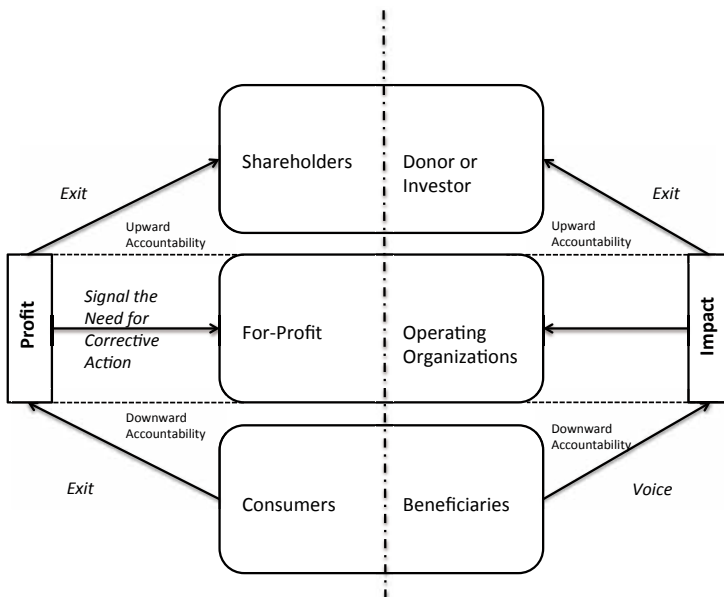
Figure 11-2 Comparative overview of the market structure of the market of ‘doing good’ versus the for-profit market



This economic perspective reveals that the lack of downward accountability from the operating organization to its beneficiaries’ results in an absence of information for donors and investors (and for the operating organization itself) on the effectiveness of the operating organization they ‘invest’ in. In

the case of the for-profit organization, the match between the supply of products and services and the preferences of their customers is evident through the purchasing behaviors of the customers. Customer demand provides a signal to the for-profit organization about its performance, and whether it needs to adapt or change its strategy. In order to reveal the extent to which the products and services of the operating organization match the needs of their beneficiaries (manifested by a change in their lives for the better), evaluations of the impact of these products and services, the extent to which they change the lives of the beneficiaries for the better, need to be performed. Similar to the signaling role of customers demand and profit in the case of the for-profit organization, information about the impact achieved can function as a signal to the operating organization about the effectiveness of its strategy. Moreover, this impact information is crucial for donors or investors to be able to make strategic choices about allocating resources to those operating organizations that are relatively most effective in serving their beneficiaries. Figure 11-3 illustrates the role of impact information in the accountability structure of this market.

Figure 11-3 Comparative overview of the market structure of the market of ‘doing good’ versus the for-profit market with the availability of impact information



Some have argued that it is impossible to compare between the relative values of one type of impact versus another. For example, in a downloadable pamphlet on “Finding your focus” by Rockefeller Philanthropy Advisors the following question is posed: “What is the most urgent issue?”. They

answer with: “there is obviously no objective answer to that question.” (p.3). However, resistance against this rhetoric of ‘philanthropic freedom’ is growing. Both economists and moral philosophers have been making progress in this objectification by presenting arguments and powerful examples about the issues that are most urgent in our world and the most effective interventions to tackle them (see appendix II for a short description of some of these examples).

In order to make progress on this question of where philanthropic resources are best allocated we need to be willing to accept two assumptions. The first is that ‘doing good’ is eventually about improving lives for the better, and when the information would be available, preferences would be based upon the ability to improve lives most effectively (make most positive difference). The second assumption is that those ‘doing good’ broadly attach equal moral value to the lives of strangers. There is thus no a priori preference to ‘do good’ for people in a certain continent or country. In contrast, preferences are based upon the type of need that most effectively contributes to improving lives and the subjects of their philanthropy would be those needing it most.

Some researchers that study philanthropic behavior would point out that the acceptance of these two assumptions as a prerequisite to classify actions as ‘doing good’ would lead to the exclusion of most philanthropic activity, whether from individuals, foundations or corporations. Their studies have shown that philanthropic behavior can be based on a variety of motivations, that can shape very specific preferences for certain needs of others that donors happen to be (made) aware off (e.g., cancer research), and for a specific group of individuals (e.g., those suffering from ALS) (Bekkers and Wiepking, 2011; Frumkin, 2006). They argue that without those specific preferences, their motivation to engage in philanthropic behavior would seize altogether (Starr, 2014). Others, part of a movement that refers to itself as ‘Effective Altruism’, expect that many demonstrating philanthropic behavior would be convinced to act in line with these two assumptions if only the right type of information would be available to them in a convenient format. Those who would still stick to their specific preferences after having obtained that information – when they would thus consciously chose for causes that do not contribute most effectively to making a difference in the lives of those they seek to help and/or (in)directly lead to the valuation of some lives as much more important than others – should indeed not be classified as philanthropists or as ‘doing good’, so they argue.

Even when those arguing that what we understand as organizations ‘doing good’ would shrink when limiting inclusion to organizations that adhere to these two assumptions are right, there is certainly a group of organizations that would be included and whose effectiveness relies on the ability to reduce the information asymmetries between themselves and operating organizations.

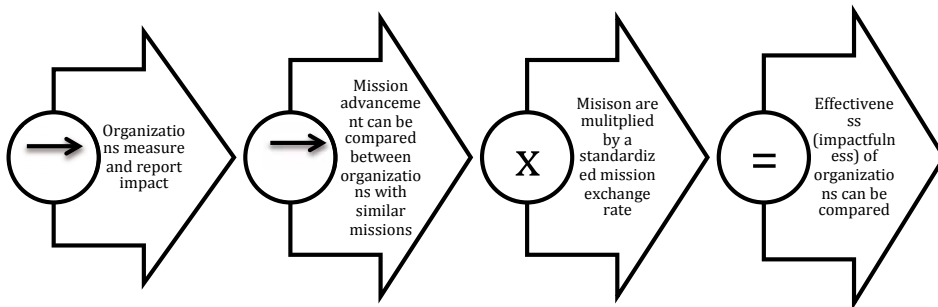
11.4. Mission Exchange Rate

As figure 11-4 below illustrates, a number of additional steps need to be taken in order to be able to use the information that would flow from organizations that systematically measure their impact. To measure the impact of specific projects, organizations first need to evaluate the link between the specific project and the organization's mission (Ebrahim and Rangan, 2010). For example, if the overall mission is to relieve poverty and the impact of a school feeding project is evaluated by studying the improvement in test scores, this impact (improvement in test scores) can only be aggregated to the mission level (poverty relief) if the effect of the project on poverty (relationship between test scores and poverty) is also evaluated or can confidently be based on previous researched.

Second, organizations need to make this information – about the advancement they make on their missions through specific projects – available to donors and investors. This would allow donors and investors to compare between clusters of organizations. Within these clusters, it would be known which organizations are relatively more effective at achieving a specific impact, such as preventing people from being infected with HIV (presuming they used the same indicators to measure this). When the donor's or investor's objective is to support a specific target group of beneficiaries on a pre-determined dimension of their well-being such as HIV prevention, this information would provide him with accurate insights on which organization to support.

If, on the other hand, a donor or investor wants to know where they can simply get the most 'bang for their buck' – for example, what the effectiveness of one cluster is (HIV prevention) vis-à-vis another cluster (human rights protection) – then they would need to compare the impact of different clusters of organizations. Therefore, as a third step, to allow for a meaningful comparison between all operating organizations, a universal standard of the comparative impact of organizations would be needed that translates all impact into the same units. This standard unit could be conceptualized as a mission exchange rate, a standardized value that is attached to a specific unit of impact.

Figure 11-4 Components of using impact information to create allocative efficiency in the philanthropic market



This eventual unit will probably be a construct of wellbeing or happiness (see appendix III for a short description of an happiness as an alternative to measuring well-being). Many lists have been composed that have tried to encompass what is important to the lives of people, and some have been specifically focused on certain groups of people such as those living in extreme poverty. An example of a widely used index is the Human Development Index (HDI), which combines indicators of life expectancy, educational attainment and income on the basis of the capabilities approach developed by Amartya Sen (Sen, 2000; Sen, 2005). The HDI has been recently improved with the addition of a disaggregated HDI for subgroups, the development of country specific HDI indicators, and the calculation of an inequality adjusted HDI. Another example of an important well-being measure is the Gallup Well-Being Index, which includes the domains of life evaluation, emotional health, physical health, healthy behavior, work environment and basic access.

A first attempt at relating a wide range of interventions to a single measure of impact was undertaken by New Philanthropy Capital (NPC) with a well-being index for youth. Measuring the well-being of 11 to 16 year olds, this index includes eight domains: self-esteem, emotional health, resilience, friends, family, school, community, and life satisfaction. NPC allows operating organizations to make use of its surveys to evaluate their projects against this well-being index, and to subsequently make the results transparent through publications on the NPC website. In turn, this allows donors to compare a wide range of organizations that have used the same measure to determine their impact.

Although progress is being made towards the identification of a measure of well-being (or happiness) there are a number of problems to overcome when implementing the idea of a mission exchange rate, regardless of which type of well-being or happiness index it would be based upon.

First, as discussed in chapter 2, one of the biggest challenges in impact measurement is to determine the scope of the measurement. This refers to the effects that are, and those that aren't, taken into account in the measurement. Many things in this world are interrelated to one another in complex ways, and when attempting to contribute to solving a social problem for one group of people, many others, although unintentionally, are often affected as well. As the number of unintended effects of any action, whether positive or negative, is often incredibly large, judgments need to be made about which ones to include in the measurement. These judgments will inevitably be subjective. For a market of 'doing good' to work effectively, donors and investors would have to be thoroughly advised that the impact shown through the mission exchange rate related only to the intended impact, and a standard would have to be developed that guaranteed that they also gained the necessary insight into the unintended effects.

Second, as discussed in chapter 4, reporting impact on the correct indicators does not determine the quality of the information that is produced; this heavily depends on the research design of the impact evaluation. The research design and the implementation of this design determine the quality of the data that is collected. In turn, this affects the validity and reliability of the results. For example, if a mission exchange rate is formulated that could advise donors or investors of the relative impact of, for example, an impact-measuring and reporting education charity versus a nongovernmental gender equality organization that had also measured and reported its impact, the donor or investor would also need to know whether the data on which those reports are valid and reliable. Standards of data quality need to be developed, which organizations such as the international initiative for impact evaluation (3ie) and givewell.org are contributing to.

A more top-down approach to selecting the most impactful causes would be to start with the Rockefeller Philanthropy Advisors' question about which social problem is the most urgent. From there, one could reason down to the most cost-effective interventions, and subsequently the most effective organizations to implement those interventions. For example, health economists have made some real progress in gaining insight into the question which issues are most urgent by using the standard global health measure of Disability Adjusted Life Years (DALYs) to calculate the disease burdens in the context of a specific country, region, or the world. DALYs are a measure of the severity of disabilities, multiplied by the number of life years one loses because of the disability and the number of years that one lives with the disability. Although restricted to one domain of human well-being, using this standardized measure allows health economists to make informative statements about the weighting of one type of health impact versus another. These comparisons are used, for example, in studies from the Centers for Disease Control (CDC), that provide overviews of the most urgent global health threats that present battles that can be won.

Another approach growing in popularity for policy-making practices has been to compare the relative burden of diseases on society, often in terms of the health care costs that are made and the productivity that is lost. For example, a number of studies have focused on the effects of primary prevention of health risks such as smoking (Pomp, 2010). These studies showed that prevention of health risks actually increased health costs, as prevention results in a longer life expectations, and in those extra years the health costs are relatively high (Pomp, 2010). This example also illustrates that simply looking at health costs at a societal level provides us with a narrow perspective on the problem. Similar risks are associated with the increasingly popular Social Return on Investment (SROI) framework. Essentially, SROI is a framework that helps organizations stipulate the theory of change of specific projects, and to formulate indicators at each level of the value chain. SROI encourages the identification of the effects on all the affected stakeholders, the attachments of a monetary value to those effects, and the identification of the most relevant indicators on the basis of these monetary values. As a result, the effect that projects or programs have on governments costs (or potential savings) often become central to such analyses, while the effects on the intended beneficiary are marginalized. More importantly, frameworks such as SROI should not be confused with impact evaluation methods such as attribution analyses, as SROI does not aid its users in collecting actual data and ensuring the quality of this data.

However, although progress is being made in determining the importance of different health problems, and the cost-effectiveness of investments in suitable interventions, this still does not help us in comparing between different aspects of human well-being such as health and education. A courageous project undertaken by Bjorn Lomborg under the name Copenhagen Consensus illustrates that progress has also been made in this area. In his project, and essentially utilizing similar cost-benefit analyses as used by health economists, a large group of respected economists answer the question: "If we had an extra \$75 billion to put to good use, which problems would we solve first?" For each of the 10 problems that are identified as priorities, extensive research is conducted into the most cost-effective interventions. In 2012, after an elaborate process, the panel divided the fictive \$75 billion across 16 interventions, of which the top three were: bundled micronutrient interventions to fight hunger and improve education, expanded subsidies for Malaria combination treatment, and expanded childhood immunization coverage (Lomborg, 2013). Although arguably less explicitly, by presenting a list of priority areas for worldwide development, the Millennium Development Goals (MDGs) also provided a vision of which impacts are most urgently needed from a global perspective.

To get to the suited information about the impact of operating organizations for allocative efficiency to occur in the market of 'doing good', organizations need to measure their impact, report on this impact at an organizations level, and a mission exchange rate is needed to standardize this impact

between different units of measurement. Alternatively, one could take a top down approach from identifying the most urgent issues, the most cost-effective interventions and the most capable organizations to implement these interventions. Whether bottom-up or top-down, a number of standards need to be developed in order to overcome the methodological challenges.

11.5. Legitimacy

Moreover, having relatively more impact as an operating organization, in terms of creating the greatest well-being gains for the greatest number of people, does not automatically imply that this organization is best to be supplied with the resources from a specific donor or investor that aims to ‘do good’. This comes back to the importance of goal congruence between the various sectors, as in many instances the government or private sector will be better suited to tackle a problem because of the applicability of their capabilities and resources. For example, numerous social problems are highly relevant, but span a scale that renders it impossible for smaller private or non-governmental organizations to effectively respond to due to a relative lack of resources (compared to most governments). On the other hand, because of market and government failures, there are many problems that philanthropic organizations are relatively more capable to solve. These include for example problems that affect a minority of people, such as rare diseases, or challenges such as climate change or global trafficking that stretch the boundaries of national governments and where powerful global institutions are lacking. When it comes to international issues, it is often the case that philanthropy’s primarily role is in getting them on the agenda, either by popularizing issues (e.g., the Make Poverty History campaign) or supporting research (e.g., Copenhagen Consensus). In the context of welfare states the philanthropic sector is often less competent than the government or the private sector in providing services that the majority requires (such as primary education). However, this might not be the case in the context of a failed state. Researching the mechanisms through which philanthropic foundations are able to affect social problem solving, Thümler (forthcoming) found that door-opening often was the most effective role for them to play. Door opening is a situation in which foundation satisfy the needs of a specific group by making resources or goods accessible that this target group needs – these resources can be money but also other resources such as a social or legal status, information, support or knowledge. Moreover, by being this door-opener, the foundations Thümler (forthcoming) researched solved the dilemma of limited funds by opening up access to additional, external resources, thereby considerably ‘leveraging’ their own contributions.

The question of which social problems organizations that aim to ‘do good’ are best suited to tackle (regardless of whether they are philanthropic or businesses practicing CSR and CP), and what the best way is to do this, is arguably the true essence of legitimacy in ‘doing good’. Legitimacy then is understood as undertaking actions that are in congruence with the unique set of characteristics that

characterize these organizations, in relation to the characteristics of the private sector and the government in a specific context. When organizations that aim to ‘do good’ take account of their legitimacy, goal congruence between the sectors would increase, contributing to their ability to effectively tackle social problems.

11.6. Resolving the Paradox

In the introductory chapter, three causes of the paradox that ‘doing good’ is often not good enough were identified, through a multilevel analysis of the paradox in the context of the philanthropic sector. In this concluding chapter three preliminary solutions for those causes are discussed, for both philanthropic organizations and businesses that practice CSR and CP.

First, goal incongruence between the private sector, government, and philanthropic sector contributes to ineffectiveness of organizations attempting to ‘do good’. For example, Oxfam Novib, a large international NGO that aims to contribute to a just world without poverty, runs the program ‘Internet Now!’ which aims to connect 100 villages in Northern Uganda with high speed internet (<http://www.oxfamblogs.org/eastafrica/?p=6430>). However, a number of corporations have vested interests in providing people with Internet connections. Google has already provided the city of Kampala with a fiber-optic backbone for Internet infrastructure (<http://www.technologyreview.com/news/521801/google-tries-to-turbocharge-internet-service-in-uganda/>). Other companies such as Facebook and Microsoft are experimenting with expanding the Internet infrastructure in Africa. Arguably, these corporations have more experience to draw on when it comes to (the provision of) the Internet and therefore might be better suited parties to engage in this activity. One could argue that Oxfam its project is targeted at more rural areas, which might be last in line when it comes to Internet provision by corporations. However, it is important to realize that Oxfam its resources are not endless, as the resources used for the Internet project have opportunity costs. The money could have been spent on other products or services that benefit the people in rural Uganda such as vaccines, education, water infrastructure or rural roads. Similarly, many CSR and CP projects might not built on the competencies of the company, or contain activities that either governments or NGOs are more qualified to undertake.

More attention for the unique competencies of each of the sectors can increase the effectiveness of the attempts of philanthropic organizations and corporations to ‘do good’. This congruence with these competencies is conceptualized here as ‘legitimacy’. Legitimacy is a concept central to institutional theory, where it is understood as a status conferred by social actors (Deephouse, 1996). Legitimacy occurs when there is congruence between the actions and values of the organization with the expectations and values of relevant social actors (Deephouse, 1996). In political economic theory,

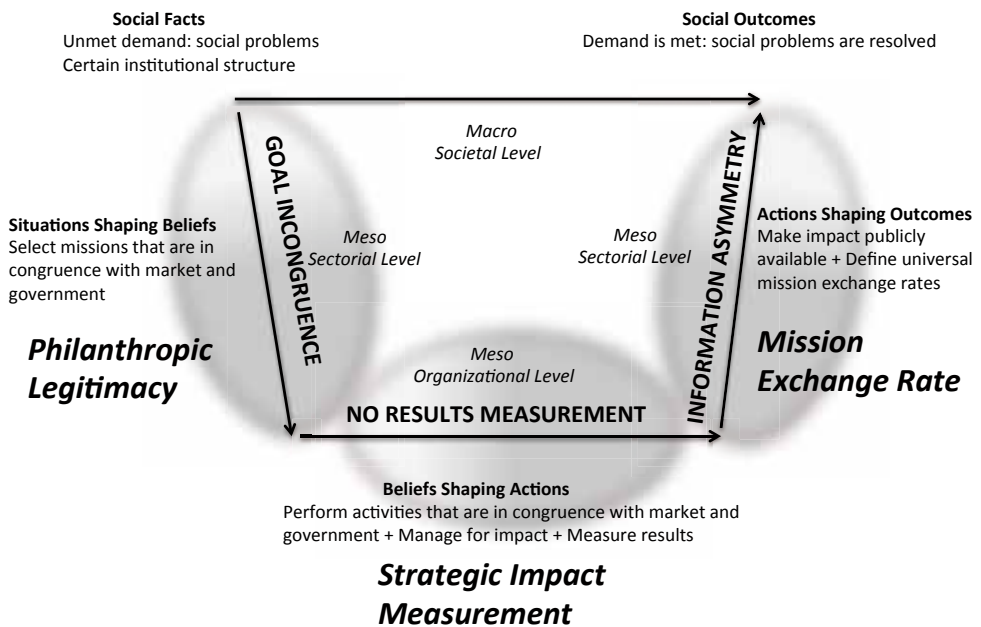
legitimacy is understood as the acceptance of government actions by the public. Here, legitimacy is used to refer to an evaluative but abstract state where an organization is a relatively qualified party to undertake certain actions because of its comparatively suitable competencies. Attention for this type of legitimacy when selection goals and missions by organizations that attempt to 'do good' improves effectiveness, as it ensures that these organizations address those social problems that they are relatively most competent to address. Moreover, attention for legitimacy also improves effectiveness when designing the strategy and selecting specific interventions, as it improves the selection of cost-effective interventions that align with the resources and capabilities of these organizations.

Second, lack of results measurement at the organizational level contributes to the ineffectiveness of organizations attempting to 'do good'. Without the measurement of the impact of the projects of these organizations, it is unclear whether the social goals are met. Consequently, organizations do not have the information to allocate their resources to those projects that most effectively contribute to the resolution of social problems. Research shows that not knowing the relative effectiveness of interventions threatens the overall effectiveness of organizations, as the gaps between the effectiveness of interventions can be substantial. For example, research conducted by GivingWhatWeCan, an international society dedicated to eliminating poverty in the developing world, shows the difference in the cost-effectiveness of two interventions that aim to extend the lives of people suffering from HIV. Whereas one is able to extend lives by 2 years for \$1000, the other intervention creates 950 extra life years for the same amount (<http://www.givingwhatwecan.org/where-to-give/charity-evaluation/health/hiv-aids>). As Ord (2013, p.), moral philosopher and founder of GivingWhatWeCan, passionately argued, "In practical terms, this can mean hundreds, thousands, or millions of additional deaths due to a failure to prioritize". It has frequently been noted in this thesis that research has shown that to date it seems that only a very small number of philanthropic organizations perform any type of evaluation, and even less organizations seem to truly measure their impact. Making impact evaluation a central element of the organization's strategic decision making can create vast increases in the effectiveness of organizations that attempt to 'do good', whether in the philanthropic sector or in the private sector.

Third, information asymmetry in the marketplace of 'doing good' between donors or investors and the operating organizations creates inefficiency because it is unclear to donors and investors which organizations are achieving most impact. As mentioned above, difference in the effectiveness of interventions can be enormous. To reduce these asymmetries, information on the impact of projects does not only need to be measured and reported, it also needs to be translated to the impact of the organization because donations are mostly made to organizations instead of specific projects or programs. Moreover, for investors or donors to be able to allocate resources to the most effective

organizations, they need to be able to make meaningful comparisons between the impact of organizations. As this impact occurs amongst a wide range of indicators, such as enrollment and test scores, to be able to compare them they would need to be translated into some sort of standardized unit. It might be useful to conceptualize this standardized unit as a mission exchange rate.

Figure 11-5 Analysis of the paradox that ‘doing good’ is not good enough based on Coleman’s boat (1990), showing the three areas of causes identified in this thesis with the suggested solutions



11.7. REFLEct Impact Framework

To facilitate the implementation of the theoretical advancements that this thesis has offered in understanding the paradox that ‘doing good’ is often not good enough, a strategy framework is developed that puts some of the suggestions that have been offered in practice. Borrowing the principles from the hierarchy of business strategies as stipulated by Simons (2000), a framework of the strategy process of organizations, programs or projects that aim to effectively solve social problems is developed (figure 11-6). In Simons (2002) his work, at the top of the hierarchy, the ‘perspective’ of the business is formulated. This perspective is formulated on the basis of a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats analysis) of the firm specific resources

and capabilities in relation to the specific competitive market dynamics. From this analysis the business its mission is formulated. At the next level the business formulates its 'position' by specifying its business strategy. From this strategy the 'plan' is developed, which includes formulating the performance goals and measurements. Last, the 'patterns' are determined, which is about determining the actions of the business. Simons (2000) explained that businesses have multiple management levels, and strategic management can occur at the corporate, business, function and operational levels. In essence, strategic management is about answering questions such as 'which business should we be in?'

In analogy, for organizations, programs or projects that attempt to effectively create social change the starting point is at first not the competitive market dynamics but the 'social facts' in society (e.g., unmet demand of social problems, institutional structure). Second, instead of just focusing on the firm-specific resources and capabilities, it is important to consider them in relation to the context in which one operates; to ensure that the goals are in congruence with their strengths and weaknesses. Third, instead of a SWOT analysis, it is proposed that a REFLEct analysis is conducted. A REFLEct analysis includes the consideration of five aspects at every step of the design of the strategy: Relevance, Ethics, Fit, Legitimacy and Effectiveness.

Relevance

Relevance is about the urgency and importance of social issues. As argued in a report by Accenture Development Partnerships and the Rockefeller Foundation (Vages and Long, 2013), in contrast to corporations and governments think strategically about where to focus on. It recommends philanthropic organizations to use 'scanning', a technique that stimulates strategic thinking about where to focus on. In the face of limited resources, considering relevance is essential for effectiveness as it helps in deciding between the multitude of options that organizations have when designing their strategy. At the vision level, considering relevance contributes to focusing on social issues that are urgent and of great importance to society. Here, the abovementioned research conducted by Accenture and the Rockefeller Foundation, the research by the Copenhagen Consensus, or the research by the Centers for Disease Control (CDC) could be useful sources. Moreover, the ability to make a great impact on society is influenced by the extent to which organizations formulate a mission that focuses on a relevant aspect of the social issue they choose to tackle. When the vision is to improve the health of people in India, effectiveness could be improved by basing the specific mission on research about the most urgent and important health threats that Indian people face. Once the mission has been selected, the relevance of social problems can also be considered in the formulation of the strategy and the operations. When the mission is for example to contribute to healthy ageing, considering relevance can improve effectiveness by making strategic and operational choices such as a specific life stage to

focus on, a certain target group, or a practice area such as prevention or mitigation. For corporations that base their CSR approach on the Shared Value Creation principle, “which involves creating economic value in a way that *also* created value for society by addressing its needs and challenges” (Porter and Kramer, 2011, p. 4, italics in original), effectiveness can be improved by considering the relative relevance of the social problems that occur along its value chain in deciding its focus.

Ethics

The research on the motivations of people to engage in ‘doing good’ has repeatedly pointed to the importance of people’s ethics as a motivator (Bekkers and Wiepking, 2011). As values, such as humanitarianism and egalitarianism, are important motivators for prosocial behavior, alignment with them is important (Bekkers and Wiepking, 2011). Probably, a fit between the ethical convictions of the people engaged in ‘doing good’ and the strategy of the organization or the program contributes to the commitment and continuation of their involvement.

Fit

Fit is about the match between the resources and capabilities of the organization and its strategy. Attention for fit stimulates for example the selection of an operational mission that is achievable considering the scale and scope of the social problem and the resources and capabilities of the organization. Porter and Kramer (1999) outlined four ways in which philanthropic foundations are especially equipped to create value: 1) selecting the best grantees, 2) signaling to other funders, 3) improving the performance of grant recipients and 4) advancing the state of knowledge and practices. They also argued that the choice for one strategy over another should be based on the respective organization its resources and capabilities. At the strategy level, considering fit stimulates organizations to built on their unique characteristics when tackling the social issue of their choice. It contributes to setting realistic and achievable goals, which are both found to relate positively to organizational effectiveness (Copps and Vernon, 2010; Kaplan, 2001; Minkoff and Powell, 2006; Oster, 1995; Rainey and Steinbauer, 1999; Sowa, et al., 2004).

Legitimacy

As discussed, legitimacy is about the optimization of the capabilities and resources of the organization relative to other organizations, including those from other sectors. In essence, it is about asking the question: am I the right actor? At the mission level, considering legitimacy can improve effectiveness because it guides organizations to focus on problems that other sectors leave unresolved due to their inherent failures. The study by Rockefeller and Accenture does not only argue for considering relevance, but also specifically argues for philanthropists to focus on what matches with the resources and capabilities of this sector (Vages and Long, 2013). At the strategy level considering legitimacy

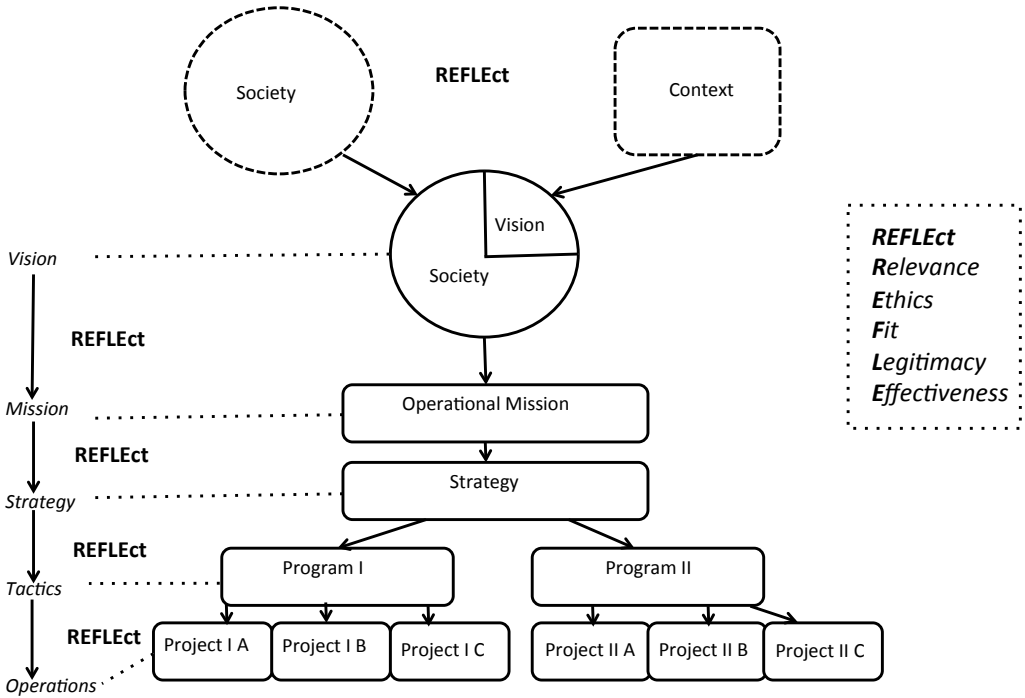
increases the ability to find a complementary role in relation to the other sectors, such as providing grants that function as seed capital for a nonprofit that can scale through becoming a financially viable business in the longer term, and thereby improving effectiveness.

Effectiveness

Considering effectiveness throughout the entire strategy process stimulates organizations to select missions and formulate strategies, programs and projects that have a clear potential to be make a difference. Uncovering the potential effectiveness can be achieved through the research of past evidence of specific programs or projects. Increasingly, efforts are being made to systematically collect evidence of the relative effectiveness of interventions that have a common aim, such as studies that focus on education in Kenya (Kremer, Miguel and Thornton, 2004) or India (Banerjee, Cole, Duflo and Linden, 2007). In absence of meaningful evidence, a solid theory of change that outlines the theoretical basis of the way in which the goals would be achieved, and makes the main assumptions that underlie this theory explicit. Making such a theory of change allows for the evaluation of the extent to which there is evidence that supports specific steps in the theory or the assumptions and the detection of potential threats to effectiveness (Ebrahim and Rangan, 2010). As resources are always limited, studying the potential effectiveness relative to the costs (thus determining cost-effectiveness) allows for comparisons of different programs to be based on the expected impact.

In line with Simons (2000), it is thus argued that the REFLEct analysis is best conducted at every step of the strategy process. This strategy framework and the REFLEct analysis can guide philanthropic organizations, whether operating or not, to maximize their impact relative to the existing set of social problems at a certain point in time, its capabilities and resources, and its context. After formulating its vision (e.g., improve global health), the operational mission can be determined (e.g., reduce malaria by a certain percentage before a certain date). On the basis of this mission, a strategy is formulated, which results in one or a number of programs. Under these, specific projects or interventions are positioned. At each step the REFLEct analysis will enable the organization to make choices that enhance the ability of the organization to be effective, maximizing its impact.

Figure 11-6 REFLEct impact framework



11.8. Implications and Directions for Further Research

There is often much resistance against the idea of addressing the effectiveness of organizations that attempt to ‘do good’, regardless of whether it concerns philanthropic organizations or corporations engaging in philanthropy or CSR.

Because philanthropy is a voluntary act that runs on the basis of private resources, an often-raised argument against critically evaluating impact is that philanthropy is something deeply personal, and providing a rational or scientific perspective might kill the passion that motivated people to engage in philanthropy in the first place. It is common for philanthropy to be presented as something very private, driven by personal values and experiences, and to be contrasted to questions of effectiveness that are considered to be cold, rational and scientific. It is important to recognize that this dichotomy is often false, as a growing body of philanthropists and philanthropic organizations illustrate that thinking strategically about your impact actually ignites passion to ‘do good’. More importantly, at an

aggregate level, shying away from addressing the effectiveness of philanthropic actions inhibits the philanthropic sector from tackling social problems in the most effective way.

In the case of corporations attempting to 'do good' through CSR and CP programs the extent to which organizations are truly motivated to make a positive social impact is often questioned. As it is difficult to research the 'true' motivations of corporations, the extent to which these are either to gain positive business impact and social impact or only focused on the business, might never be known. However, for society, the most important thing might not be to uncover these motivations. Instead, the results from corporate efforts, and the way in which they can be improved to more effectively contribute to tackling social problems, arguably matter more. Uncovering these results requires rigorous evaluations of the social impact of these corporate programs. Where currently most of the research, public debate and regulations are process oriented, improving corporate impact on society possibly requires more attention for the effectiveness of corporate programs, and the way in which they can be improved.

The core assumption that underlies this thesis is that a substantial share of the 'good' that is being done is likely not tackling social problems in the most effective way. However, the reality is that it is not known how much most of these organizations are truly contributing to society, because they fail to evaluate their own effectiveness (and/or make this information publicly available) (Grossman, 1999; Kaplan and Grossman, 2010; Meehan, Kilmer and O'Flanagan, 2004). In the case of the philanthropic sector, the privacy rhetoric that surrounds individual philanthropy and philanthropic foundations, and the focus on how operating organizations are run (e.g., their overhead ratios and director salaries) instead of on the impact they achieve, results in a lack of impact evaluation and/or transparency about the results of evaluations. Similarly, the focus of the debate and research on CP and CSR is often on the process instead of the results. As both chapter 6 that reviews the literature on CSR and chapter 7 that reviews the literature on CP conclude, our knowledge of the impact of CP and CSR on society is extremely limited. Likewise, a quick scan of the CSR reports of corporations that are perceived as sustainability leaders in their industries shows that the emphasis is mostly on how and why they engage in CP and CSR programs, but fail to systematically report on the effectiveness of their actions in terms of the extent to which they truly make a difference in tackling social problems.

Despite this lack of evidence for the extent to which most efforts are effective, this thesis assumes that there is room for improvement mostly because of this lack of systematic collection of evidence through impact evaluation and cost-effectiveness analyses. Ever since rigorous techniques were applied in the social sciences to evaluate the impact of interventions, it has become clear that evidence of the relative effectiveness of interventions often does not align with dominant beliefs and theories about 'what works' (Dhaliwal, Duflo, Glennerster and Tulloch, 2011; Ord, 2013; Fiennes, 2012). For

example, studies into the effectiveness of education interventions have shown that deworming programs, instead of provision of schoolbooks or increasing the quality of teachers, are often the most cost-effective interventions (Dhaliwal, Duflo, Glennerster and Tulloch, 2011). Moreover, these studies have shown that the differences between the effectiveness of interventions can be gaping. For example, Ord (2013) shows that differences between certain health interventions can be as large as 15,000 times, where the least effective intervention creates 15,000 times less benefits in DALYs versus the most effective one for each dollar that it spends.

This thesis presents a number of building blocks in the attempt to further the effectiveness of organizations that aim to 'do good'. The lion share focuses on impact measurement; basing strategic choices on evidence of the relative effectiveness of interventions, evaluating the impact of the chosen interventions and sharing that data with others to continuously grow the available evidence base.

First, to improve effectiveness practitioners and academics alike thus need to first and foremost base their decision-making as much as possible on available evidence, and conduct impact evaluations of the interventions of their choice (Dhaliwal, Duflo, Glennerster and Tulloch, 2011). Academic research can contribute to increasing the evaluative capacity of organizations by improving our understanding of the barriers that exists in organizations that prevent them from evaluating, and by attempting to find solutions to lower these barriers. For example, research of the evaluation practices of nonprofit organizations has identified the importance of a participatory negotiation process between nonprofits and their stakeholders on the purpose and design of their evaluations. In response, in chapter 4 of this thesis a framework has been developed to help nonprofits in this process. Similarly, both qualitative case studies and larger survey studies could help to identify the factors that either impede or facilitate evaluations of corporate and philanthropic programs, and the extent to which the results of evaluations are used to improve the effectiveness of these programs.

Secondly, organizations need to share the findings of the effectiveness of their programs to ensure the growth of a solid evidence base of the relative effectiveness of interventions. New initiatives are arising to facilitate this, such as aidgrade.org, a website that hosts a database of rigorous impact evaluations and meta-analyses, and [3ie](http://3ie.org), a World Bank initiative which both funds impact evaluations and systematic reviews and hosts a database of studies. For impact evaluations to be able to inform strategic decision making, their methodological qualities and limitations need to be made transparent. An important step towards the ability to use evidence for decision making is to find ways to correspond methodological qualities and limitations, and their implication, in an intuitive way to decision makers.

Thirdly, in order to be able to weigh the relative effectiveness of numerous evaluated interventions against one another, a number of other steps have to be taken. Outcomes have to be standardized in order to facilitate comparisons of similar outcomes. For example, quality of teachers can be measured with a wide range of outcome indicators such as teacher attendance, teacher qualifications and teacher experience. Only the effectiveness of interventions that have used the same outcome indicator(s) can be compared with one another. The open source website IRIS from the Global Impact Investing Network (GIIN) is one initiative that aims to facilitate such standardization, by creating a catalogue of performance metrics that impact investors can use. Others such as Jason Saul at the Urban Institute is working on an outcomes taxonomy together with the Centre for What Works. This outcomes taxonomy is a prototype for classifying social outcomes (Saul, 2014). More research is needed to facilitate the standardization of outcomes, and to understand how evaluators can be motivated to use standardized outcomes.

Fourth, to make a choice for interventions that achieve maximum impact comparing the effectiveness of different interventions that have used the same standardized outcomes is not sufficient. The relative costs of these interventions also need to be known. This requires evaluators and researchers to record detailed cost data, where the underlying calculations need to be made publicly available to facilitate meaningful analyses (Dhaliwal, Duflo, Glennerster and Tulloch, 2011). As costs can be calculated in many different ways, more research is needed to facilitate standardization of the way in which costs are calculated. In the bibliography of Levin and McEwan's book "Cost-Effectiveness Analysis" a rare overview of existing articles that perform such cost-effectiveness analysis focusing on education in the developing world can be found. Such an overview is an example of the type of research that is needed.

Fifth, as discussed in this chapter, to be able to compare between different types of outcomes (e.g., enrolment rates and quality of patient care), all outcomes need to be brought back to one standardized unit. This standard unit could be conceptualized as a mission exchange rate, a standardized value that is attached to a specific unit of impact. As the aim of most organizations that 'do good' is to improve people's lives for the better, the contribution of different types of outcomes to a standardized index of wellbeing or happiness would provide insight into the relative effectiveness of different interventions to improving people's lives. Almost all interventions have multiple outcomes, such as the contribution of deworming programs to both health and educational performance of children. A mission exchange rate would allow for different outcomes to be aggregated and thus show the total contribution of an intervention. Research is needed to determine what construct of wellbeing or happiness is best to be used to base such a mission exchange rate on. This also includes deciding on the relative value of different outcomes to wellbeing, such as the value of an extra year of primary education. Despite the

enormous puzzle that creating such a mission exchange rate poses, the progress that is made in practicing effective philanthropy in the global health sector due to the use of QALYs and DALYs, which essentially represent a mission exchange rate specifically for the health domain, shows the importance of attempting to solve this puzzle. As the development and use of QALYs and DALYs demonstrate, progress in enhancing comparability requires an interdisciplinary approach that moves beyond the economic discipline to integrate perspectives from other social sciences such as psychology and philosophy.

Even when interventions are evaluated, the results are shared, standardized outcome indicators are used, costs are reported in a standardized way and a mission exchange rate is developed to be able to understand the relative value of different types of outcomes, there is still another issue to be resolved before perfect decision can be made. Unfortunately, all interventions are loaded with unintended effects, which can be both positive (e.g., positive health effects on siblings) and negative (e.g., prices of basic needs increase leaving non-participants of the intervention worse off). As most evaluations only use outcome indicators to measure the intended effects of the intervention, the total impact of the intervention is still unknown. As a result, comparisons between the effectiveness of interventions are inevitably incomplete. Because the amount of unintended effects is often very high, and because it is not always known a priori when the evaluation is designed what the effects will be, this issue of unintended effects inevitably introduces some subjectivity in comparisons. More research is needed in order to make progress on how to deal with these unintended effects of interventions.

It is thus argued here that future research that improves our ability to make strategic decisions on the basis of meaningful cost-effectiveness analyses would enhance the effectiveness of organizations that attempt to 'do good'. Moreover, it is believed to be meaningful for future research to contribute to the other cause for the current seeming ineffectiveness that was identified in the introductory chapter: goal incongruence. A first attempt has been made in this concluding chapter to contribute to this. First, it is argued that organizations should take into account legitimacy in their decision-making. Essentially, this comes down to organizations asking themselves whether they are the right actors to tackle certain problems in a certain way. Second, a management framework is developed that includes a REFLEct analysis (Relevance, Ethics, Fit, Legitimacy, Effectiveness), which stimulates organizations that attempt to 'do good' to consider their legitimacy and other factors that are believed to enhance effectiveness. More empirical work would further our understanding of what legitimacy entails for different types of organizations. The study by Thümler (forthcoming) into strategies that are specifically effective for philanthropic organizations to adopt is an example of such work.

Naturally, practitioners have a big role to play in increasing effectiveness of their efforts. Here, the frameworks developed in this thesis can be helpful in measuring the effectiveness of interventions and

developing strategies with more potential for impact. Moreover, intermediaries in the market of ‘doing good’, such as rating websites and other charity watchdogs, could reallocate their attention from the way in which philanthropic organizations operate (e.g., their overhead ratios), towards the difference that they make (their impact). A number of intermediaries are contributing to this shift, such as givewell.org and givingwhatwecan.org, organizations that base their judgment of the relative effectiveness of organizations on rigorous evidence. Despite the great progress that this represents in reducing information asymmetries, it is argued here that effectiveness could be even further enhanced by complementing their attention for evidence of impact with consideration of legitimacy. Next to determining what the most urgent problems are in the world and the accompanying most cost-effective interventions to tackle them, overall effectiveness can further be increased by considering whether, and what type of, donors or investors should allocate resources to which interventions. For example, should the average donor (which in the Netherlands in 2011 gave 200 Euros) support the NGO that is the most ‘high-confidence recommendation’, the Against Malaria Foundation, according to GivingWhatWeCan.org (Geven in Nederland, 2013)? Arguably, because there is substantial evidence for the cost-effectiveness of the intervention of this organization (distributing bed nets), it might be relatively easy for them to raise all the funds they need from a highly strategic donor that seriously values scientific research. This could be a large philanthropic foundation or maybe even the government of a country that aims to fight its own prevalence of malaria. In contrast, one could reason that the Against Malaria Foundation is the perfect choice for an average donor, because it plays into a number of factors that research has shown to motivate individual donors to give, including awareness of need (many are aware of the threat malaria poses), costs and benefits (costs are about 5\$ per bed net delivered) and efficacy (knowing that the money is used for something very concrete, bed nets, might allow donors to perceive that their donation makes a difference) (Bekkers and Wiepking, 2007). Although determining what types of causes are best funded with which types of money will often be context dependent, research might be able to shed some light on this question of legitimacy and thereby further the effectiveness of attempts to ‘do good’.

The findings of this thesis might also be relevant for new forms of ‘doing good’ that are emerging, such as venture philanthropy and impact investing. Currently, the focus with these practices is mostly on the way in which they can best be implemented instead of focusing on their results, and how they could become more effective. For impact investments in specific, effectiveness is a challenging issue. Many classify an investment as an impact investment when there is an *intention* to generate social and environmental impact. This is for example how the Global Impact Investing Network, a nonprofit organization that is dedicated to increase the scale and effectiveness of such investments, defines impact investing. However, as evaluations of many international development interventions have shown, intentions to have a positive impact do not always translate in actually achieving such impact.

Arguably, an investment should be coined an impact investment only after the impact is *achieved* and can thus be demonstrated. Especially when international development money is allocated to impact investments, as will be the case in the Netherlands with the new Dutch Good Growth Fund. In order for the Dutch government to know whether impact investing ‘works’, the effectiveness of the impact investments that are done with this aid money should be subjected to the same rigorous evaluations that the ‘regular’ international development projects are subjected to. Only then can the effectiveness of these investments be determined to the goals of these international development funds, such as poverty relief. Determining that a certain investment is an impact investment a priori does not seem to be justified in this case.

For private investors such as JP Morgan, an investment bank, or pension funds, the motives to engage in impact investments might be different, including improving their reputation or creating a competitive advantage by attracting clients that are concerned with the social responsibility of their capital. Moreover, resources from different actors might be mixed, and engagement in impact investments by private investors might enhance their ability to attract resources from governments or philanthropists. Determining whether such investments are or are not impact investments might thus mostly be relevant in this case to avoid the deception of clients or the public, as they are likely to understand impact investments to be investments that *realize* a positive impact.

Moreover, similar to development interventions or other efforts to ‘do good’, there might be numerous negative effects that are not known a priori. Hypothetically, when investments are classified as impact investments solely on the basis of intentions, their negative effects could be greater than their positive impact. One could argue that the criteria of classifying something as an impact investment should be demonstration of achieved impact, or, even starker, demonstrating that this impact has been achieved in a more cost-effective way than any other type of capital could have done. However, limiting what we understand to be impact investments on the basis of the impact they have achieved might substantially limit the amount of capital that is channelled to investments that at least a priori seem to be able to make a positive difference. Further research is needed to weigh the different pros and cons of imposing a more limiting definition of when an investment is understood to be an impact investment.

As discussed before, because of the ability to make meaningful comparisons of the relative cost-effectiveness of many health interventions great advancement has been made in increasing the effectiveness of global health efforts, demonstrated for example by the work of the Bill and Melinda Gates Foundation. As a result, a strong moral case for considering the effectiveness of efforts to ‘do good’ can be made when it comes to global health. The work by the philosopher Toby Ord (2013)

presents a clear argument for our moral duty to allocate global health resources to those interventions that are most cost-effective. In his words:

“Some people don’t see cost-effectiveness as an ethical issue at all, since it is so cut and dried that it seems like a mere implementation issue. This is misguided. People who decide how to spend health budgets hold the lives or livelihoods of many other people in their hands. They are literally making life-or-death decisions. Most decisions of this sort take dramatically insufficient account of cost-effectiveness. As a result, thousands or millions of people die who otherwise would have lived. The few are saved at the expense of the many. It is typically done out of ignorance about the significance of the cost-effectiveness landscape rather than out of prejudice, but the effects are equally serious” (Ord, 2013, p.5).

It is important to realize the same holds for any other type of intervention in different fields such as education or gender equality. Our current inability to make meaningful comparisons between the cost-effectiveness of interventions in these fields, or even more so of interventions between fields to an overall construct of wellbeing or happiness, results in much (although often unintended, unknown or unavoidable) immoral ‘doing good’. There thus is an urgent need for us to improve our ability to make meaningful comparisons to avoid such immorality in the future.

Appendix I

Table 11-2 Comparative perspective of the allocative efficiency in the for-profit and philanthropic market with possible solutions (extension of figure in Meehan, et al., 2004)

Characteristics of market efficiency	For-Profit markets	Philanthropic markets	Possible solutions	Examples of existing initiatives
<i>Low transaction costs</i>	Brokers fees are a small portion of total investment (Meehan, et al., 2004)	<i>Isolated grantmaking</i>	Collective impact funds	<i>Acumen Fund</i> pools investments in portfolios (Meehan, et al., 2004); <i>Edna McConnell Clark Foundation</i> creates funds
<i>Value-driven allocation</i>	Companies that do well are rewarded; those that don't are penalized (Meehan, et al., 2004)	<i>Irrational grantmaking</i>	Increasing group of philanthropic donors who aim to create maximum impact with their money	<i>European Venture Philanthropy Association (EVPA)</i> ; <i>Venture Philanthropy Partners (VPP)</i>
<i>Customized capital</i>	Various niche markets for different types of capital (public listing/ stock market/ venture capital)	<i>Capital not tailored to organizational development stages</i>	A number of sub-markets are emerging for specific types of capital	Crowdfunding for start-ups <i>StartSomeGood</i> , <i>Crowdrise</i> , <i>Razoo</i> , <i>Causes</i> ; <i>EVPA</i> and <i>VPP</i>
<i>Real-time market</i>	Transactions can be made almost instantly (Meehan, et al., 2004)	<i>Inflexibility of assets</i>	Through crowdfunding one can make transactions instantly, although it is based on an assessment of impact, not realization of this impact	<i>StartSomeGood</i> , <i>Crowdrise</i> , <i>Razoo</i> , <i>Causes</i>
<i>Universal reporting standards</i>	Standardized yearly accounting cycle of results	<i>Variations in timeframes for results availability</i>	Updates on progress beneficiaries make with help of the investment/grant	<i>KIVA</i>

Appendix II

Moral philosophers such as Peter Singer and Toby Ord have been researching one of the main assumptions that underlie comparisons of impact, the moral value that we attach to a life (Singer, 2010; givingwhatwecan.org). Using the example of purchasing bottled water in a developed country such as the US or the Netherlands, Singer argued that this purchase illustrates that the moral value we attach to our own life is many times larger than that which we attach to the life of a child in a developing country. The money spent on the bottled water in a context where fresh water is readily available could, for example, have bought this child a bed net that would protect it from malaria infection (Singer, 2010). It is quite obvious that we value our own life, and that of our family members and friends, more highly than we do the life of a stranger. However, our philanthropic behaviour, and the behaviour of organizations that aim to ‘do good’, illustrates that this gap does not just exist between the people we love and those we do not know, but also between different types of people we do not know (givingwhatwecan.org).

To provide an example of how we attach more value to certain lives, imagine that it is your aim to fight blindness, and you have £50,000 to give away. You could donate your money to the Guide Dogs for the Blind Association (Guide Dogs), a charity that in 2011 spent £50 million on the provision of guide dogs and other mobility services (Guide Dogs). Their website provides a detailed example of how the many donations that people made to Guide Dogs “might be spent”. £35,000 is used for breeding and training a dog; £13,000 is needed for support until the dog retires, and a person might need eight or more dogs in her life, amounting to a cost of £400,000 per blind person. Your £50,000 could thus buy one blind person a guide dog that will relieve some of the burden of their blindness for 1/8th of their lifetime. Alternatively, as the costs are less than £13 pounds per patient, you could donate your £50,000 to a charity that provides surgery in developing countries to reverse the effects of trachoma for more than 3,800 people (Jamison, 2006). By comparing these two choices, it can be argued that someone who gives their money to Guide Dogs in the UK values relieving 1/8th of the life of a blind person 3,800 times more than curing someone in Africa from blindness.

However, the above comparison is made between organizations with the same mission – to fight blindness. An example of the choice between two different causes can illustrate that there might be elements in our choices when we ‘do good’ that can be considered relatively objective. Here, it is assumed that ‘doing good’ is ultimately about saving lives, or improving the quality of lives. If we accept that assumption, the impact of donating \$100,000 to your city’s concert hall to support its renovation can be compared to donating 100,000\$ to preventing 1,000 people from losing eyesight due to trachoma. Even if 100,000 people very much enjoy the improved aesthetics of the renovated concert hall that your \$100,000 has bought, it is unlikely that it affected the quality of their lives more

than the lives of 1,000 people who were prevented from becoming blind at the age of 30. Let's put it this way, if you asked the visitors to the concert hall, would 100 of them favour its renovation over saving the eyesight of another human being? And what if it was their eyesight that was at stake?

Appendix III

Both the NPC well-being measure and the Gallup Index include subjective indicators where respondents evaluate their own well-being. However, Veenhoven (1996; 2010) has argued that it would be more useful to only study a subjective (self-reported) measure of happiness. He argued that well-being measures such as the HDI and Gallup have a number of weaknesses as compared to the measure he proposes: 'Happy Life Years'. First of all, the selection of aspects in well-being indexes varies, where the HDI suffices with 3 aspects, the Index of Social Progress involves 11. This selection of aspects introduces a first element of subjectivity. Consequently, these aspects need to be provided with a weighting which again introduces more subjectivity. Another problem that Veenhoven (1996) highlighted is that the relative importance of these aspects is mostly not the same everywhere, inhibiting comparisons.

In contrast, happiness concerns the degree to which a person enjoys his or her life-as-a-whole. Validations between various types of happiness measures including MRIs show that individual happiness can quite reliably be measured by self-report on a single standard question (Veenhoven, 2010). Therefore these scores can be aggregated to measure the average response to such questions in general populations' surveys. The perceived happiness is multiplied with estimates of life expectancy, which can be based on civil registration (Veenhoven 2010). Thereby Happy Life Years result in an index that denotes how long and happy people live in a certain country (Veenhoven, 2010). Since the 1970s questions about happiness have been included in global wellbeing surveys. This has resulted in a growing body of data on the level of happiness in different countries (please refer to the World Database of Happiness, WDH, 2013). However, to use a measure such as Happy Life Years as the basis for a mission exchange rate to compare the impact of interventions on beneficiaries, the happiness question would need to be included in the impact measurements by operating organizations.

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ENGLISH SUMMARY

Why 'Doing Good' is not Good Enough

Essays on Social Impact Measurement

We are facing a paradox of 'doing good'. There is a clear role for philanthropic and Corporate Social Responsibility (CSR) efforts to play in addressing the social problems that our world faces today. However, evidence seems to suggest that this 'doing good' is not effectively solving these social problems. 'Doing good' is thus often not good enough. The objectives of this doctoral thesis are to contribute to denuding this paradox of 'doing good', and to provide concrete suggestions on how this 'doing good' can be done better. A multilevel perspective is taken to identify three main causes for the paradox: 1) *goal incongruence* between the private sector, government, and the philanthropic sector, 2) a *lack of results (impact) measurement* at the organizational level, and 3) *information asymmetry* in the market of 'doing good' between donors, investors and operating organizations such as nonprofits and social enterprises. On the basis of the insights provided within this thesis a strategic impact framework is developed. This **REFLE**ct framework is comprised of five elements: **R**elevance, **E**thics, **F**it, **L**egitimacy and **E**ffectiveness. With this framework, organizations striving to 'do good' can develop a strategy and manage their activities in a way to more effectively solve social problems, and hence achieve more positive social impact.

NEDERLANDSE SAMENVATTING

Waarom ‘goed’ doen, niet goed genoeg is.

Essays over maatschappelijke impact meting.

Onze wereld is toe aan verandering. Terwijl de rijken rijker worden, leeft een op de zes mensen in diepe armoede. In tegenstelling tot wat vaak wordt gedacht, ligt de moeilijkheid van het oplossen van dit probleem niet bij een tekort aan oplossingen. Integendeel; er bestaan interventies die kosteneffectieve oplossingen bieden voor dringende problemen, zoals goedkope vaccins voor infecties tegen diarree en tuberculose. Drie sectoren; het bedrijfsleven, de overheid en de filantropische sector, dragen ieder op hun eigen wijze bij aan het oplossen van maatschappelijke problemen. In dit proefschrift ligt de focus op de maatschappelijke impact van de filantropie en maatschappelijk verantwoord ondernemen (MVO).

Filantropie, wat letterlijk liefde voor de mensheid betekent, heeft altijd een vooraanstaande rol gespeeld in het bestrijden van menselijk leed. Sinds de jaren '60 is de filantropische sector gegroeid, gekenmerkt door een diepere institutionalisering en professionalisering van de filantropie en een diversiteit aan nieuwe vormen, zoals *venture philanthropy* en *impact investing*. Ondanks deze groei is het onduidelijk wat de daadwerkelijke bijdrage is van de filantropische sector aan het oplossen van maatschappelijke problemen. Het schaarse wetenschappelijke onderzoek naar de effectiviteit van de filantropie dat beschikbaar is, schildert een teleurstellend plaatje over de mate waarin deze sector haar unieke competenties effectief inzet om die maatschappelijke problemen, die de markt en de overheid onopgelost laten, aan te pakken.

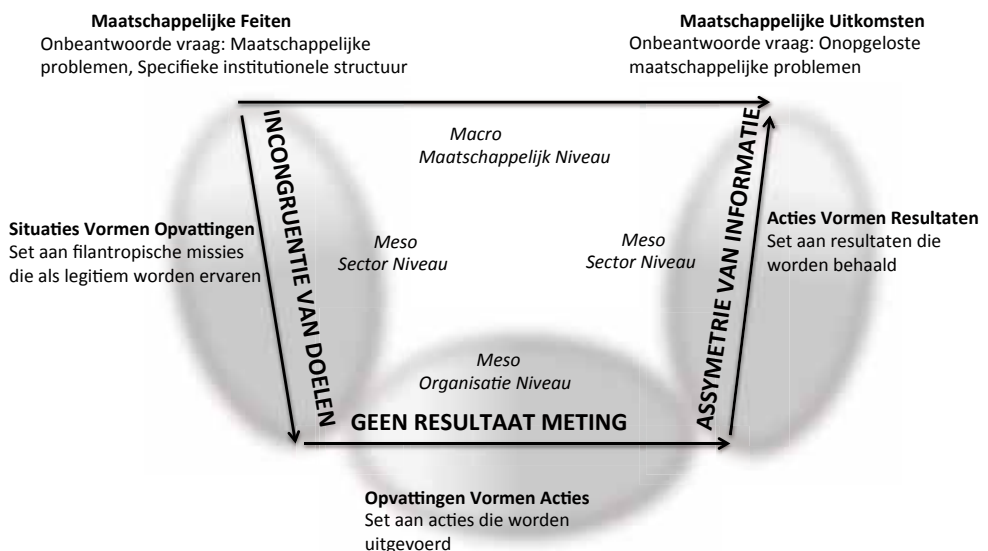
Naast de filantropische sector zetten ook bedrijven zich steeds meer in om bij te dragen aan het oplossen van maatschappelijke problemen. Soms betekent dit dat een bedrijf een partnerschap aangaat met een maatschappelijke organisatie, in andere gevallen pogen bedrijven, zoals Puma en Coca Cola, grip te krijgen op de bedoelde en onbedoelde positieve en negatieve impact die zij hebben op werknemers, consumenten en de *community*. Deze activiteiten worden gevangen onder de paraplu MVO. Er is veel onderzoek gedaan naar de mate waarin MVO bijdraagt aan het succes van het bedrijf. Minder aandacht is echter besteed aan de mate waarin MVO programma's daadwerkelijk bijdragen aan het oplossen van maatschappelijke problemen.

Dit confronteert ons met een paradox; er wordt veel ‘goed’ gedaan, maar dit ‘goed’ doen lijkt niet goed genoeg te zijn. Ondanks dat er een rol lijkt te zijn voor de filantropische sector om zich in te zetten voor die maatschappelijke behoeften waar het bedrijfsleven en de overheid tekortschieten,

lijken meerdere filantropische programma's niet succesvol in het effectief vervullen van deze rol. De MVO programma's van bedrijven zouden ook een belangrijke rol kunnen vervullen, maar het is onduidelijk in welke mate zij daadwerkelijk bijdragen aan het oplossen van maatschappelijke problemen. Het tweeledige doel van dit proefschrift is derhalve om bij te dragen aan het ontmaskeren van deze paradox van het 'goed' doen, alsook om concrete suggesties te formuleren die de effectiviteit verbeteren. In andere woorden, het doel van dit proefschrift is om te begrijpen wat de obstakels zijn voor de filantropische sector en MVO programma's van bedrijven om effectief bij te dragen aan het oplossen van maatschappelijke problemen, en om handvatten te bieden om de positieve maatschappelijke impact te vergroten.

Om tot een holistischer begrip van de paradox van het 'goed' doen te komen, wordt er in dit proefschrift voor een meertraps perspectief gekozen. Dit meertraps perspectief helpt ons om dieper te gaan dan de analyse op macroniveau waar we maatschappelijke uitkomsten (bijv. sociale problemen die onopgelost blijven ondanks het bestaan van filantropie en MVO) proberen te verklaren door maatschappelijke feiten (bijv. staat noch markt pakken sociale problemen aan). Het staat ons toe om te ontrafelen wat de onderliggende mechanismen zijn die verklaren hoe de maatschappelijke feiten leiden tot de maatschappelijke uitkomsten (zie figuur 1).

Figuur 1 Analyse van de paradox van het 'goed' doen op basis van de boot van Coleman (1990)



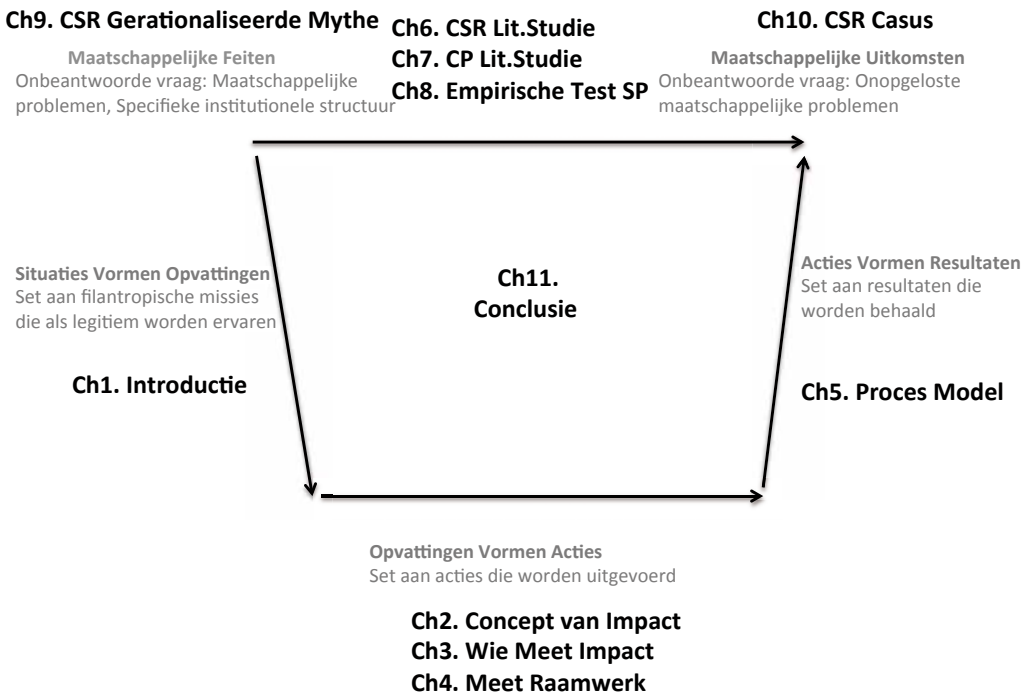
In de eerste plaats is het betwistbaar of de doelstellingen die geselecteerd worden door filantropische organisaties en bedrijven met MVO programma's in overeenstemming zijn met de unieke competenties van de filantropie en het bedrijfsleven (figuur 1: *incongruentie van doelen*). In tegenstelling tot de markt hoeft de filantropie zich niet te limiteren tot het aanbieden van producten en diensten die winstgevend zijn. Hierdoor hebben filantropische organisaties de mogelijkheid tegemoet te komen aan de wensen van mensen die bepaalde producten en diensten niet kunnen betalen. Daarnaast is de filantropie, in tegenstelling tot de overheid, niet beperkt door de wensen van de meerderheid. Hierdoor kunnen filantropische organisaties zich richten op problemen die zich over landsgrenzen bewegen (bijv. klimaatverandering), of problemen die alleen een hele kleine groep mensen raken (bijv. Asperger syndroom). Verder kan de filantropie een stem geven aan mensen die het niet eens zijn met de acties van het bedrijfsleven of de overheid. In tegenstelling tot filantropische organisaties hebben bedrijven met MVO programma's de mogelijkheid de specifieke competenties (bijv. technologische kennis en het netwerk) van de *core business* te gebruiken. Echter staan de MVO programma's niet onder de dezelfde druk als de andere activiteiten van het bedrijf om winstgevend te zijn, en is er daardoor meer vrijheid in het type programma dat wordt gekozen. Filantropische organisaties en bedrijven die daadwerkelijk nastreven om bij te dragen aan het oplossen van maatschappelijke problemen, zouden mogelijk hun effectiviteit kunnen vergroten wanneer zij duidelijker opereren op basis van deze unieke competenties.

Ten tweede is het de vraag of bij de ontwikkeling van strategieën en projecten door filantropische organisaties en bedrijven met MVO programma's voldoende aandacht wordt geschonken aan vragen van effectiviteit en impact (figuur 1: *geen resultaat meting*). De meeste organisaties lijken in het duister te tasten; wetenschappelijk bewijs voor de resultaten die de projecten bewerkstelligen en informatie over de relatieve kosteneffectiviteit ten opzichte van andere projecten, is grotendeels afwezig. In de gevallen waar deze informatie wel beschikbaar is, lijkt zij zelden te worden gebruikt als fundament voor de strategie. Meer aandacht voor impact en effectiviteit in zowel het ontwerp, de implementatie als de optimalisatie van de strategie, zou mogelijk de effectiviteit van filantropische organisaties en bedrijven met MVO programma's vergroten.

Ten derde worden filantropische organisaties en bedrijven met MVO programma's geconfronteerd met asymmetrie van informatie bij het selecteren van de meest effectieve uitvoerende organisaties (bijv. NGO's, sociale ondernemingen en goede doelen organisaties) (figuur 1: *asymmetrie van informatie*). Er is weinig informatie beschikbaar over de effectiviteit van deze uitvoerende organisaties. Filantropen en bedrijven kunnen hun donatie, investering of partner keuzes louter baseren op zwakke substituten voor effectiviteit, zoals zogenaamde strijkstokken, directeurssalarissen of de reputatie van de uitvoerende organisatie. Geen van deze indicatoren informeren filantropen en

bedrijven over de daadwerkelijke impact die deze organisaties bewerkstelligen. Door het tekort aan betekenisvolle informatie om keuzes op te baseren (bijv. wetenschappelijke impact evaluaties), ontvangen organisaties die het beste zijn in het afgeven van signalen van effectiviteit de meeste middelen. Wanneer filantropische organisaties en bedrijven meer inzicht hebben in de daadwerkelijke impact van uitvoerende organisaties, kunnen zij ervoor kiezen de middelen te laten stromen naar die uitvoerende organisaties die het meest effectief bijdragen aan het oplossen van maatschappelijke problemen (*allocatieve efficiëntie*). Een markt van het ‘goed’ doen zou deze allocatieve efficiëntie kunnen bevorderen, waarmee de effectiviteit van filantropische organisaties en bedrijven met MVO programma’s kan worden vergroot. Om dit te realiseren moeten uitvoerende organisaties niet alleen hun impact evalueren en rapporteren, maar moet er ook een manier zijn voor filantropische organisaties en bedrijven om de impact van verschillende organisaties met elkaar te vergelijken.

Figuur 2 Analyse van de paradox van het ‘goed’ doen op basis van de boot van Coleman (1990), met de focus van de hoofdstukken in dit proefschrift



Hoofdstuk 1

In dit introductie hoofdstuk worden de oorzaken voor de paradox van het ‘goed’ doen, zoals deze zich voordoet in de filantropie, geïdentificeerd: incongruentie van doelen, geen resultaat meting en asymmetrie van informatie. Tevens wordt de vraag in hoeverre deze oorzaken toepassend zijn voor MVO bestudeerd. Zowel de incongruentie van doelen als het tekort aan resultaat meting zijn mogelijk minder relevante oorzaken voor het eventueel optreden van de paradox van het ‘goed’ doen bij MVO versus de filantropie. Dit doordat bedrijven bijvoorbeeld duidelijkere competenties hebben waardoor zij waarschijnlijk meer geneigd zijn om doelen te kiezen die hierbij aansluiten, en doordat bedrijven gewend zijn prestaties te meten en gebruik te managen op basis van resultaten. In de gevallen dat bedrijven MVO invullen door middel van programma’s die worden uitgevoerd door maatschappelijke organisaties, zoals goede doelen en sociale ondernemingen, is er echter geen reden om aan te nemen dat de derde geïdentificeerde oorzaak, asymmetrie van informatie, minder relevant is voor MVO versus filantropie. In dit geval bevinden bedrijven zich in dezelfde positie als filantropische organisaties zoals vermogensfondsen, en is het door het tekort aan impact evaluaties bij de uitvoerende organisaties en de onvergelykbaarheid van de resultaten vaak onduidelijk voor hen hoe effectief organisaties zijn.

Hoofdstuk 2

De zichtbaarheid van filantropie is gestegen door de activiteiten van *high net worth individuals* zoals Bill Gates en Warren Buffet. Hierdoor is ook de aandacht gegroeid voor de vraag wat, en hoe groot, de bijdrage van de filantropie is aan het oplossen van maatschappelijke problemen. Waar de nadruk initieel lag op transparantie, het laten zien wat een organisatie wel en niet doet, is deze verschoven naar impact, de waarde die gecreëerd wordt voor de maatschappij. Het is echter zowel in de wetenschap als in de praktijk niet duidelijk wat we precies bedoelen met de term impact. Deze verwarring bedreigt de kwaliteit van het onderzoek naar impact, doordat argumenten en resultaten opgeteld en vergeleken worden die verschillende definities hanteren. In dit hoofdstuk wordt een duidelijk overzicht van deze definities gepresenteerd, en wordt voorgesteld onderscheid te maken tussen twee typen impact. Het eerste type, *mission related* impact, wordt gedefinieerd als de impact die men behaald relatief aan het specifieke doel zoals geformuleerd in de missie (van de organisatie, het programma, project of beleid). Deze *mission related* impact is dus een maatstaf van de progressie ten opzichte van de specifieke doelstelling. Wanneer dit gecorrigeerd wordt voor de kosten vormt het een maatstaf van de effectiviteit. Het tweede type is *public good* impact, wat gedefinieerd wordt als de net impact van alle duurzame bedoelde, onbedoelde, positieve en negatieve effecten op de maatschappelijke welvaart. De operationalisering van dit concept is echter complexer, omdat het niet

objectief is wat als waardevol wordt beschouwd in een maatschappij, en de individuele onderzoeker hierdoor telkens de grenzen van dit concept moet definiëren.

Hoofdstuk 3

Er wordt gesteld dat organisaties verder moeten gaan dan het simpelweg meten van 'output' indicatoren, zoals het aantal ondernomen projecten of het aantal mensen dat gebruik maakt van deze projecten. In dit hoofdstuk wordt beargumenteerd dat het nut van het meten van bereik (het aantal beneficianten dat direct geraakt wordt door de projecten van de organisatie) opnieuw ter discussie gesteld moet worden. Dit omdat ten eerste bereik belangrijk is omdat het een voorwaarde is voor het meten van impact. Het is namelijk nodig om te weten wie de beneficianten zijn die geraakt worden door een project om te evalueren wat de mate is waarin een project de levens van deze beneficianten heeft veranderd. Ten tweede kan het meten van bereik door deze voorwaardelijke rol in evaluaties functioneren als een waardevolle *proxy* (benadering) voor evalueren. Verder wordt gesteld dat het gebruiken van bereik als *proxy* bovendien als voordeel heeft, ten opzichte van het direct vragen of en hoe organisaties evalueren, dat het minder gevoelig is voor een aantal methodologische onzuiverheden.

Hoofdstuk 4

Veel organisaties staan onder druk om impact te meten en te rapporteren. In de praktijk blijken veel organisaties echter moeite te hebben met het meten van impact. Een groeiende hoeveelheid onderzoek benadrukt de rol van het participatieve onderhandelingsproces tussen de uitvoerende organisatie en de *stakeholders*. Dit onderhandelingsproces over het doel en het ontwerp van de evaluatie zou de bruikbaarheid van de evaluatie sterk bevorderen. Dit proces wordt echter bemoeilijkt door onduidelijkheid over de concepten die gemeten moeten worden, het mogelijke nut van evaluaties, een tekort aan geschikte evaluatie vragen en normatieve ideeën over superieure evaluatie methoden. In dit hoofdstuk wordt een praktisch raamwerk gepresenteerd dat deze problemen adresseert. Hier worden de relaties duidelijk tussen het doel van de evaluatie, de evaluatievraag en het niveau waarop de effecten gemeten moeten worden. Ook wordt beargumenteerd dat de selectie van de evaluatiemethode zou moeten worden gemaakt op basis van de keuzes binnen dit raamwerk.

Hoofdstuk 5

In de absentie van impact evaluaties wordt de welbekende strijkstok (en andere metingen van de financiële bestedingen van organisaties zoals wervingskosten) nog steeds volop gebruikt om in te schatten hoe effectief een organisatie is. Er is echter een grote hoeveelheid aan wetenschappelijk onderzoek naar factoren die bijdragen aan de effectiviteit van organisaties. In dit hoofdstuk wordt getest wat de mate is waarin deze factoren uit het wetenschappelijk onderzoek overeenkomen met het

perspectief van mensen uit de praktijk op factoren die bijdragen aan effectiviteit. In totaal worden 26 factoren geïdentificeerd, die verdeeld worden in factoren die de transparantie van de organisatie betreffen, karakteristieken van de organisatie zelf en karakteristieken van de programma's van de organisatie.

Hoofdstuk 6

Een overzicht van de literatuur over de maatschappelijke verantwoordelijkheid van bedrijven wordt gepresenteerd in dit hoofdstuk. Het overzicht laat zien dat het onderzoek wijd verspreid is over een groot aantal domeinen en thema's. Er is echter weinig onderzoek gedaan naar de manier waarop MVO een wijdverspreid fenomeen is geworden. Tevens is er een tekort aan aandacht voor de uitkomsten en impact van MVO voor de maatschappij.

Hoofdstuk 7

In de literatuur wordt de beoefening van filantropie door bedrijven veelal afgeschilderd als een ouderwetse en ineffektieve invulling van de maatschappelijke verantwoordelijkheid van bedrijven. In tegenstelling tot deze status van de bedrijfsfilantropie laat het empirische onderzoek zien dat bedrijven juist erg actief zijn op dit gebied. In dit hoofdstuk wordt de literatuur over de bedrijfsfilantropie onder de loep genomen. Ten eerste laat het overzicht zien dat bedrijfsfilantropie gekarakteriseerd wordt door een set aan unieke eigenschappen. Ten tweede ontmaskert het dat de mate waarin bedrijfsfilantropie geconceptualiseerd is nog te wensen over laat. Tot slot laat het overzicht zien dat het onderzoek sterk kwantitatief is, de impact op de maatschappij tot nu toe nog weinig aandacht heeft gekregen en er een tekort is aan analyses die simultaan meerdere niveaus bestuderen.

Hoofdstuk 8

Strategische filantropie behelst de belofte dat het waarde creëert voor zowel de maatschappij als het bedrijf. Het wetenschappelijk bewijs voor deze claim is echter erg mager. Ook weten we weinig over de factoren binnen bedrijven die maken dat zij daadwerkelijk strategisch zouden zijn in het beoefenen van bedrijfsfilantropie. Op basis van data uit de Dow Jones Sustainability Index (DJSI) 2006-2009 blijken 39% van de bedrijven in 2006 en 60% in 2009 strategisch om te gaan met bedrijfsfilantropie, waar strategische filantropie wordt gemeten met het *proxy* variabel van zowel het evalueren van de impact op het bedrijf als de maatschappelijke impact. Verder is het belangrijkste kenmerk om te voorspellen of bedrijven strategische filantropie beoefenen een algeheel sterke score op *corporate social performance* in de DJSI.

Hoofdstuk 9

In dit hoofdstuk wordt in de eerste plaats ter discussie gesteld hoeveel we weten over MVO, door specifiek te kijken naar onze kennis over de wijze waarop MVO geïnstitutionaliseerd is. De wetenschappelijke literatuur over MVO wordt vervolgens opnieuw bekeken met een proces lens, met de focus op de volgorde van de fases in de tijd waarover MVO een wijdverspreid begrip is geworden. Vanuit deze literatuurstudie blijkt dat er drie periode zijn die de institutionalisering van MVO markeren: voor het midden van de jaren '90, van het midden van de jaren '90 tot het millennium, en vanaf het millennium tot vandaag de dag. Binnen deze tijdsperiode kunnen vier fase van de adoptie van MVO worden geïdentificeerd: reactief, isomorfistisch, gerationaliseerd en proactief. Een vergroot begrip van de wijze waarop MVO een wijdverspreid begrip is geworden geeft het belang aan van het behouden van een kritisch perspectief op de globale trend van MVO. Dit vergt aandacht voor de risico's die MVO met zich meebrengt, met name voor de maatschappij door middel van de onbedoelde effecten en het risico van misbruik. Het zicht op deze risico's kan louter worden vergroot door het systematischer meten van de maatschappelijke impact van MVO.

Hoofdstuk 10

Dit hoofdstuk bevat een case studie van de reactie van Heineken op de kritiek van activisten op de manier waarop zij omging met vrouwen in Cambodja die lokaal het biermerk promoten. De studie laat zien hoe de waarden en opvattingen binnen het bedrijf interacteren met economische argumenten en met de externe omgeving van het bedrijf, en hoe deze beïnvloed worden door functies en relaties binnen het bedrijf. Ook illustreert de casus hoe de strategie van de activisten die zich zeer nadrukkelijk richten op Heineken als bedrijf (en niet de wijze waarop bier wordt gepromoot in het algemeen) beperkt kan zijn in haar effectiviteit. Dit komt doordat deze agressieve vorm van activisme weinig ruimte laat aan managers om te ontrafelen hoe zij bij kunnen dragen aan een oplossing voor het maatschappelijke probleem. Ook is er weerstand bij de andere bedrijven in het veld omdat zij willen voorkomen dat zij ook onder vuur komen te liggen.

Hoofdstuk 11

In het conclusie hoofdstuk worden de andere twee oorzaken voor de paradox van het 'goed' doen, *incongruentie van doelen en informatie asymmetrie*, die in het introductie hoofdstuk geïdentificeerd werden, dieper uitgewerkt. Een praktisch raamwerk wordt ontwikkeld voor managers ten behoeve van een vergroting van de effectiviteit van organisaties op basis van de bevindingen in dit proefschrift. Dit baseert zich op de REFLEct analyse, die aanzet tot het grondig reflecteren in het ontwerp en de implementatie van de focus en strategie van de organisatie.

Er bestaat weerstand tegen het idee om de maatschappelijke impact van de filantropie en MVO, en maatschappelijke initiatieven in het algemeen, ter discussie te stellen. Omdat de filantropische sector draait op basis van private middelen en bedrijven vrijwillig kiezen middelen te besteden aan MVO programma's, beargumenteert men vaak dat de discussie over de effectiviteit van deze middelen een te kritisch en wetenschappelijk perspectief biedt op iets dat gedreven wordt door persoonlijke waarden en goede intenties. Tevens zou de rationele benadering de passie doden, waardoor er minder middelen beschikbaar zullen zijn om maatschappelijke problemen op te lossen. Het is echter belangrijk om ons te realiseren dat de dichotomie die hier gepresenteerd wordt vaak foutief is. Een punt dat geïllustreerd wordt door de groeiende groep filantropen en bedrijven die demonstreren dat strategisch denken over de gewenste impact - en het meten van deze impact - juist de passie om 'goed' te doen doet groeien. Op een geaggregeerd niveau betekent het weg bewegen van het stellen van lastige vragen over de bijdrage van al dit 'goed' doen aan het daadwerkelijk oplossen van maatschappelijke problemen bovendien dat organisaties te weinig aandacht hebben voor de manier waarop zij zo effectief mogelijk kunnen zijn. Dit resulteert in de paradoxale situatie waar we ons heden ten dage in bevinden, waar veel van het 'goed' doen waarschijnlijk niet goed genoeg is.

Op basis van de inzichten in dit proefschrift is het strategisch impact raamwerk dat zich baseert op de **REFLE**ct analyse ontwikkeld. Het raamwerk ondersteunt organisaties die 'goed' willen doen om dit effectiever te doen, doormiddel van het centraal stellen van vijf elementen in de ontwikkeling van de strategie en de implementatie daarvan. Deze elementen zijn: **Relevantie**, **Ethiek**, **Fit**, **Legitimiteit** en **Effectiviteit**. Het meten van maatschappelijke impact is een integraal gedeelte van het ontwikkelen en implementeren van de strategie op basis van dit raamwerk. Het ontwikkelen en bijsturen van de strategie op basis van de vijf elementen in de **REFLE**ct analyse staat organisaties toe om effectiever bij te dragen aan het oplossen van maatschappelijke problemen, en dus een grotere positieve maatschappelijke impact te bewerkstellen.

CURRICULUM VITAE KELLIE LIKET



Personalia

Date of Birth: 24 February 1986
 Nationality: Dutch (The Netherlands)
 Current Position: PhD Candidate *Erasmus School of Economics*

Work Experience

2010-2014 **Erasmus School of Economics, Erasmus University Rotterdam**, The Netherlands
Position: PhD Candidate
Project: *Why Doing Good is Not Good Enough: Essays on Social Impact Measurement*

2013 **Harvard University, Cambridge, MA**, United States of America
 International research visit (ERIM scholarship)
Project: *Back to Basics: Revisiting the Relevance of Beneficiaries*

2009 *Volunteer* **United Youth Development Organisation (UYDO)**, United Kingdom
 Nonprofit organization that allows young people in the North, through volunteering and knowledge sharing, to provide Microfinance for young people in the South
Position: Executive Board Member as Outreach & Communication Manager

2008-2009 *Volunteer* **Overseas Development Institute (ODI)**, United Kingdom
 UK's leading independent think tank on international development issues
Project: Mapping the impact of the involvement of the private sector in the attainment of Millennium Development Goal 2 of Universal Primary Education

2009 **London Metropolitan University**, United Kingdom
Position: Teacher Statistics & Methodology, MSc Business Psychology (30 students)

Curriculum Vitae

- 2008-2009 *Volunteer* **Uprising UK, AimHigher Project, Student Ambassador**, United Kingdom
Nonprofit program promoting university participation of underprivileged teenagers
Position: Student ambassador of *Parliament Hill* program – 16 weeks one-on-one mentoring

Education

- 2011-2012 **Harvard University**, Cambridge, MA, United States of America
Graduate Courses: Emergency Management (A), Fundamentals of Nonprofit Accounting (B+), The Not-for-Profit Sector (A)
- 2008-2009 **London School of Economics**, London, United Kingdom
MSc Development Management (*High Merit*)
Master dissertation: *Corporate Social Responsibility: A Rationalized Myth?*
- 2008-2009 **London Metropolitan University**, London, United Kingdom
MSc Business Psychology (*Cum Laude*)
Master dissertation: *Employee Happiness as an Organisation's Biggest Asset*
- 2006 **University of Adelaide**, Australia (*Cum Laude*)
Semester Abroad: International Business Management (A), Marketing (A), Management (A)
- 2004-2007 **University College Utrecht (UCU)**, International honours college of Utrecht University, NL
BA Liberal Arts & Sciences (*Cum Laude*)
Bachelor dissertation: *Multicultural Leadership*

Extracurricular Activities

- 2008-2009 **Future Leaders Program**, Bangalore, India & Utrecht, the Netherlands
Partnership of Better Future (NGO) and Fortis Foundation
Project: Low Smoke Stoves
- 2002-2005 **Model European Parliament**, The Hague, the Netherlands & Dublin, Ireland
Youth programme modelling the European Parliament
Ended first at regional, national, and international levels

Scholarships & Awards

- 2013 **ARNOVA Best Paper Award Nomination** *A Market of Nonprofit Organizations: Nonprofit Organizational Effectiveness as The Social Bottom Line*
- 2013 **ERIM International Research Visit**, Harvard University, USA
- 2012 **ERIM International Courses**, Harvard University, USA

Academic Accomplishments

- Affiliations: Erasmus School of Economics, Erasmus Centre for Strategic Philanthropy (ECSP), Erasmus University Rotterdam
- Doctoral dissertation: *Why Doing Good is Not Good Enough: Essays on Social Impact Measurement*
- Consulting engagements: *Organization:* ImagineNations/ImagineAgriculture
Project: Senior expert and advisor to ImagineNations/ImagineAgriculture by providing impact monitoring and evaluation advisory services that contribute to promoting inclusive agribusiness models in Africa.
- Organization:* Noaber Foundation
Project: Revision of internal strategy and monitoring and evaluation approach to integrate impact-centred working throughout the entire organization
- Organization:* Large EU Telco's philanthropic foundation
Project: Development of experimental design for an impact evaluation of four philanthropic partners
- Organization:* Large EU life sciences and materials company
Project: Development of company-wide product level 'social life cycle analysis' to enable the company to manage on social impact along the entire value chain
- Organization:* Large Dutch pension fund (>\$100 bln AuM)
Project: Development of 'social impact fact sheet' on individual funds' ESG factors to complement the fund's regular 'financial fact sheet'
- Organization:* The Dutch association for charitable organizations (VFI)
Project: Mapping the social impact of the Dutch charitable sector on the well-being of Dutch youth at the macro, meso and micro level (included experimental evaluation)
- Organization:* Dutch knowledge bank for philanthropy (charity watchdog) *Project:* Development of an organizational process model for an internet search engine rating organization's probable effectiveness, freely available to the public
- Courses taught: 'Nonprofit Management & CSR' third year Bachelors student elective
- Book chapter: Maas, K.E.H. and Liket, K.C., (2011), *Social Impact Measurement: Classification of Methods*. In: Burrit, R.L. et al (Eds.), *Environmental Management Accounting and Supply Chain Management*.
- Journal publications: Van Cranenburgh, K., Liket, K.C and Roome, N. (2013). Promoting Beer Responsibly? Formulating CSR Responses when in a Controversial Industry, *Journal of Business Ethics*, 118(3): 497-513.
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Under review:

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Rey-Garcia, M., Liket, K.C. and Maas, K.E.H., Back to Basics: Revisiting the Relevance of Beneficiaries, *Nonprofit and Voluntary Sector Quarterly*.

Liket, K.C. and Maas, K.E.H., Is Contemporary CSR a Rationalized Myth? *Journal of Management Studies*.

Professional reports:

Success-Factors for Nonprofit Organizational Effectiveness: guidebook for the implementation of organizational processes to enhance mission-advancement.

Conference presentations:

ECSP 2013 'Besturen van Fondsen door Resultaatmeting, Sturing en Strategie' (translates roughly to 'governance of foundations with results measurement and strategy').

ARNOVA 2012 Panel organizer: 'Toward a Social Impact Investment Marketplace: Organizational Effectiveness as Actionable Information'.

Presentation at this panel: 'A Market of Nonprofit Organizations: Nonprofit Organizational Effectiveness as The Social Bottom Line'.

Panel organizer: 'Advancing the Conversation on Social Impact: Empirics, Strategic Process and Methods'.

Presentation at this panel: 'Addressing Measurement Validity: A Typology of Social Impact Measurement Methods'.

ARNOVA 2011 'Do We Know What We Are Talking About? Measurement Validity in Social Impact Research' (with Dr. Karen Maas).

'Performance Prediction Scan (PPS): Process Success Criteria for Effective Mission Advancement – First Results'.

'(Towards) A Framework of Qualitative Methods to Study Corporate Philanthropy'.

ECSP 2011 'Social Impact: Een Geldverstrekkers Perspectief' (translates roughly to 'social impact: a funders perspective').

ERNOP 2011 'Measuring the Social Impact of Non-Profit Organizations: Balancing Comprehension, Comparability and Practicality'.

ECSP 2010 'Social Impact Measurement in Practice: The Case of KPN's Corporate Philanthropy Program'.

'Practice What You Preach: the Social Impact of Corporate Initiatives to Better Society'

ISTR 2010 Panel organizer: 'Managerialism in the 21st Century: New Insights'.

Presentation at panel: 'Social Impact Measurement: The Missing Piece of the Nonprofit Puzzle?'

ARNOVA 2010 (pregnancy leave: presentation by co-writer Dr. Karen Maas): 'Doing Good, Done Better: The Development of the Performance Prediction Scan'.

Manuscript reviewer: Nonprofit and Voluntary Sector Quarterly

POETICS

Membership: SIAA Social Impact Analyst Association

ARNOVA Association for Research on Nonprofit Organisations and Voluntary Action

ISTR International Society for Third Sector Research

ERNOP European Research Network of Philanthropy

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WHY 'DOING GOOD' IS NOT GOOD ENOUGH ESSAYS ON SOCIAL IMPACT MEASUREMENT

We are facing a paradox of 'doing good'. There is a clear role for philanthropic and Corporate Social Responsibility (CSR) efforts to play in addressing the social problems that our world faces today. However, evidence seems to suggest that this 'doing good' is not effectively solving these social problems. 'Doing good' is thus often not good enough. The objectives of this doctoral thesis are to contribute to denuding this paradox of 'doing good', and to provide concrete suggestions on how this 'doing good' can be done better. A multilevel perspective is taken to identify three main causes for the paradox: 1) *goal incongruence* between the private sector, government, and the philanthropic sector, 2) *a lack of results (impact) measurement* at the organizational level, and 3) *information asymmetry* in the market of 'doing good' between donors, investors and operating organizations such as nonprofits and social enterprises. On the basis of the insights provided within this thesis a strategic impact framework is developed. This REFLEct framework is comprised of five elements: Relevance, Ethics, Fit, Legitimacy and Effectiveness. With this framework, organizations striving to 'do good' can develop a strategy and manage their activities in a way to more effectively solve social problems, and hence achieve more positive social impact.

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The Netherlands

Tel. +31 10 408 11 82
Fax +31 10 408 96 40
E-mail info@erim.eur.nl
Internet www.erim.eur.nl