

The Journal of Values-Based Leadership

Volume 3

Issue 2 Summer/Fall 2010

Article 6

July 2010

Philanthropic Initiatives and the Value Proposition Equation

Phillip L. Fioravante
Capella University

Follow this and additional works at: <https://scholar.valpo.edu/jvbl>



Part of the [Business Commons](#)

Recommended Citation

Fioravante, Phillip L. (2010) "Philanthropic Initiatives and the Value Proposition Equation," *The Journal of Values-Based Leadership*: Vol. 3 : Iss. 2 , Article 6.
Available at: <https://scholar.valpo.edu/jvbl/vol3/iss2/6>

This Article is brought to you for free and open access by the College of Business at ValpoScholar. It has been accepted for inclusion in The Journal of Values-Based Leadership by an authorized administrator of ValpoScholar. For more information, please contact a ValpoScholar staff member at scholar@valpo.edu.



[C]orporations are increasingly aware of the social scrutiny under which they are viewed by their stakeholder base. Within the awareness is the belief that each stakeholder group has varying levels of values and expectations reliant on their unique ethical and moral social science underpinnings.

Philanthropic Initiatives and the Value Proposition Equation

PHILIP L. FIORAVANTE, CAPELLA UNIVERSITY
MINNEAPOLIS, MINNESOTA

Abstract

This paper focuses on the “phenomenon” of philanthropy and its principle in the corporate strategic planning and value creation processes. Philanthropy through a human, social construct aims at furthering the development and sustainability of the recipient. There exists certain fundamental business norms by which organizations pre-define a self impose of their corporate social responsibility philosophy and execution of these initiatives. Recognizing corporations for the sums of money, time, and human resources provided to particular causes of interest is typical. In a rather altruistic-capitalistic manner, these corporations view their roles in concert with a broader ethical, corporate social responsible market presence. The underlying rationale for decision-making within the philanthropy setting appears to be rather dynamic. Stakeholders, specifically investors, judge corporations as instruments of capitalism. In this vein, the notion of the *philanthropic value proposition equation* leads to an increased understanding of how corporations can leverage philanthropic initiatives in the establishment of core and distinctive competencies. Value in this circumstance assumes a dichotomous as seen in the eyes of the stakeholder and in the minds of the firm - who desires to create *it* for marketable use. An underlying consideration, centers on how corporations use philanthropy as a strategic impetus in the value creation while balancing the social and business sector needs of its constituencies.

Introduction

Embarking on the journey of understanding corporate philanthropy, one must initially determine the construct of the phenomenon. First, corporate – for purposes herein, is a public entity organized around a central theme driven by a collectivist culture of economic, legal, and social purpose. Secondly, philanthropy is a means by which public organizations externally exhibit corporate social responsibility – widely defined by a myriad of scholarly authors (Carroll, 1979; Gan, 2006; Halme & Laurila, 2009). To this end, Drucker (1984) simply stated, “philanthropic, that is the love of his fellow men” (p. 54). However, for uses herein, the term corporate philanthropy describes the role and responsibility of the firm to recognize its societal obligation and execute initiatives to benefit its constituents – *altruistic capitalism*.

Philanthropy from a business perspective is as Collins (2009) asserted, “Through the lens of the social sector”. In one vernacular, philanthropy is a subset of corporate social responsibility (CSR) and is centric to a helping others in need. Alternatively, Luo and Bhattacharya (2009), suggest, a “Friedman-esque view” of CSR as a tribute to a more traditional economic or capitalistic perspective. According to Gan (2006), “Philanthropy, by its definition and in its early forms, assumes a certain degree of altruism and magnanimity” (p. 217). This generosity of spirit creates a crossroads for corporations today. Corporate philanthropy by its very definition creates the sense of social responsibility with no strings attached. Carroll (1979) asserted, “The conception of social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations” (p. 500).

Similarly, Choi and Wang (2007) asserted corporate philanthropy is “discretionary” and has a broader reach than CSR. While others view philanthropy as a means to garner additional customers, supporting a low cost labor (underdeveloped countries) strategy, and even gaining access to new technology through support of technical research projects. Under this premise, philanthropy has a dual role – externally and internally to the firm. (Gyves & O’Higgins, 2008; Seifert, Morris, & Bartkus, 2004).

Bruch and Walter (2005) presented two distinct categories of corporate philanthropy. “Marketing orientation” represents the external strategies and tactics employed and readily focuses on the customer and other stakeholders who place demands and expectations on the firm. Alternatively, “competence orientation” suggests the need for internal strategies and assessments to ensure “alignment of corporate philanthropic initiatives with their companies’ abilities and core competencies” (p. 50). Each of these orientations provide support to the theory of multiple factoring in that a value proposition is more than simply a customer focusing mantra; of equal importance is the consideration of creative ways in which to maximize all core competencies. Anderson, Narus, and van Rossum (2006) coined the term, “resonating focus” to describe this enduring customer value proposition type as the “gold standard” (p.4). Turning to philanthropic initiatives might actually create a distinct competency a firm can exploit in its strategic business model execution.

Continuing, the concept of a *philanthropy value proposition equation* (PVPE) in the business context is defined here as the summation of essential elements contributing to a corporation’s approach to strategically utilizing philanthropy for its practical and moral business purposes. Corporate philanthropy is a phenomenon linking the business sector

with the social sector. Throughout this paper, the rudiments or factors in the proposed PVP *equation* are cost, quality, function, and time. Each represents a “puzzle piece” in assessing philanthropy and its role in a firm’s business strategy “arsenal”. The intent of this equation is not quantitative in nature, but rather descriptive of what factors corporations include whilst designing and executing their strategic plan.

Viewed by social historians and researchers (Gan, 2006; Madrigal & Boush, 2008) alike as a subset of a larger corporate social responsibility subject, philanthropy provides an opportunity for corporations to establish an ethical and moral mantra within the organization. An organization is comprised of individuals who must assume the role of developing and maintaining a culture supportive of philanthropy and its various objectives. Successful philanthropy — achieving the goal is as vital to an organization as the “core business” (Bruch & Walter, 2005). Philanthropic initiatives are complex and thus need to be developed, communicated, implemented, monitored, and lastly sustained, in order to guarantee its viability as strategic tool.

Philanthropy in some business or capitalistic senses is that of a strategic initiative in the quest for increased market share, consumer awareness, and optimal financial performance. Brønn and Vidaver-Cohen (2009) claimed, “Individual and institutional investors have begun considering ‘citizenship programs [philanthropy] as a factor in their investment decisions” (p.91). Moreover, companies develop a societal portfolio as a means of enhancing reputation, new business development, and for creating a competitive differentiation (Brønn & Vidaver-Cohen, 2009; Choi & Wang, 2007; Lazer, 1963).

There are schools of thought framing philanthropy of strictly for altruistic reasons moreover, for purely social responsible ethics of care. As stated in Velasquez (2006), “Pundits sometimes quip that *business ethics* is a contradiction in terms because there is an inherent conflict between ethics [philanthropic based] and self-interested pursuit of profits” (p.5). Davidson (1994) further asserted, “Strategic [philanthropic] charitable giving is not intended to replace ethical corporate performance” (p. 274). Corporations seemingly have a duty to align themselves with philanthropic causes in a strategic investing behavior — with an eye on charitable good and the hope (or intent) of some business return.

Theoretical Foundations

Friedman (1970) presented his theories regarding market mechanisms, capital structure, and the notion of social responsibility. His theoretical position centered on the word “social” and concluded, “There are no ‘social’ values, no ‘social’ responsibilities in any sense other than the shared values and responsibilities of individuals” (p.126). This perspective may initially appear to have a positivist paradigm. However, Friedman did later assert there is a relationship between the company and the consumer in an economic sense that drives the rules the engagement in an open, free of fraud, and responsible manner. His narration provided fundamental reasoning for a company and stakeholder relationship in the lens of objective capitalism.

Additional perspectives focus on the importance of flexibility in the changing face of market dynamics. For instance, Feldman (1971) presented the importance of adaptation and adoption “means” in a corporation’s sales and marketing “institution”. In this sense, the role

carried out by the marketing organization within, (thus the term “institution”) the company is essential to the development of and adherence to a corporate social responsible agenda. Similarly, Sweeney (1972) stated, “Marketing must address and enhance the values of stakeholders and society, meaning that social responsibility is the inherent aspect of nature of marketing” (p. 8). Accordingly, Feldman (1971) claimed, “For in a dynamic environment, social institutions must either change or disappear as they become inappropriate to meet new conditions” (p. 54). Adaptability positions a company to solidify its customer relationship dynamic and make certain perceptions are through a positive lens. Philanthropy should not and cannot stand in isolation — it is an essential complement to a corporation’s strategic value proposition.

In a differing viewpoint, Feldman (1971) examined CSR from a symbolic interactionism perspective since the consumer-company relationship has a fundamental basis on sociological influences and meaning certain individuals have within. Essential in this meaning are emotions and interpretations of actions a company takes in the “normal” course of business enterprise, but also in the manner viewed by the consumer. His work made significant contribution to the marketing institution’s role in CSR by establishing the linkage between consumer emotions as driven by the social psychology of the buying behavior — a variable in the value (equation) proposition.

Moreover, Feldman (1971) assessed the company’s failure to address social well being resulting in customer dissatisfaction and thusly erosion of sales, profits, and sustainability. As Feldman concluded, “One basic market need is the desire for choice” (p.55). Similarly, in a more recent assertion based on derived study conclusions, Choi and Wang (2007) stated, “...Corporate philanthropy leads to high levels of financial performance” (p. 355). Companies must develop an “acceptable”, desirable, and market-driven CSR process by which customer perceptions are held in high regard — again in support of a *philanthropic value proposition*. Driving business growth with a balanced portfolio of value factors such as low cost, highly desirable products, and philanthropic initiatives will create customer loyalty, brand recognition, and positive market place presence.

“Corporations, if they are to survive, will be dramatically more responsive to the needs of society” (Feldman, 1971, p. 60). Those entities successful in the creation of socially responsible marketing platforms as well as economically and philanthropic sustainability, will be those most sought after by customers and investors alike. The “product” summation of the PVEP is functionalized by the consideration of the four elements of cost, quality, function, and time. More recent quantitative theory by Seifert, Morris, and Bartkus (2004) suggested, “Corporate philanthropy is one of the many special features that companies can offer to differentiate their products and services” (p. 146).

Notwithstanding, Friedman (1970) did acknowledge the importance of the relationship to the mutual “success” of the company and those it serves. In this frame, the firm does have some ethical boundaries in which operate and act in a communitarian or utilitarian approach. With respect to the former, the corporation has consideration for the *community* (constituents) and the betterment of offering a value proposition that empirically and unequivocally should be preserved and sustained. Alternatively, in a utilitarian approach, a corporation’s “actions and policies should be evaluated on the basis of benefits and costs they will impose on society” (Velasquez, 2006, p.61). The philanthropic value proposition, by

the nature of its factors presented above, enables firms to leverage aspects of financial prowess, CSR, strategic marketing, and situational opportunity to the betterment of itself and its constituencies.

Ethics –Communitarian and Utilitarian

Ethics in a business environment are rooted in the social sciences. Developed by seeing and doing, ethics form the fundamental decision-making process by which individuals and thus organizations function - business ethics are essential in development of a PVPE. As stated earlier, it is incumbent on the firm to provide their stakeholders with a value (not in a socio-psychology construct, but rather a customer perception determinant) proposition, strengthened by inclusion of philanthropic initiatives as a *means to an end*. Enduring results of PVPE are apparent in the *essence of reputation*. Siltaoja (2006) focused much attention on reputation and its formation as a basis of ethics and morality. Similarly, Shaw and Post (1993) asserted, “Utilitarianism, like ethical egoism, is teleological in structure. Its purpose or objective, i.e. its *telos*, is popularly characterized as ‘the greatest good for the greatest number’...” (p. 746).

Having a utilitarian perspective is one that is best suited as a PVPE objective. Providing a distinctive value proposition, serving a broad spectrum of constituencies, generally will result exhibit utilitarian characteristics. CSR and specifically philanthropy, is focused on an obligation to societal maximization and thus is deeply rooted in continuing efforts to establish linkage between sensible business objectives and moral community. (Beurden & Gössling, 2008; Shaw & Post, 1993). “CSR...a natural way to conduct business in the frame of responsibility more in relation to business legitimacy” (Siltaoja, 2006, p.107). More pointedly, philanthropy is an instrument to effectuate value by which the firm can take advantage both in terms of profits and goodwill.

Alternatively, “When ethics conflicts with profits, they [pundits] imply, business always choose profits over ethics” (Velasquez, 2006, p.5). So is this the philosophical “bottom line” or do some corporations have a ipso facto in regards to their business credo and stakeholder expectations – striking a balance of good business and good ethics. Velasquez (2006) further claimed, “Ethical behavior creates the kind of goodwill and reputation that expand a company’s opportunities for profits” (p. 6). Corporations seem to have the basic responsibility as corporate (public) participants to reflect on philanthropy as a means to an end – positive market perception and satisfied shareholders.

Corporations are increasingly aware of the social scrutiny under which they are viewed by their stakeholder base. Within the awareness is the belief that each stakeholder group has varying levels of values and expectations reliant on their unique ethical and moral social science underpinnings. Velasquez (2006) postulated, “Although ethics is a normative study of ethics, [defined as the study of moral standards] the social sciences engage in a descriptive study of ethics” (p. 11). The “descriptiveness” emanates from the inquiry of explanation for purposes herein - why corporations have philanthropic initiatives; however, not forming steadfast conclusions on reasoning between altruism of capitalism.

Business ethics form the basis for a corporate social responsibility subset – philanthropy. Corporations in an organizational theoretical perspective cannot have “feelings” or

intentions of actions. They must formulate strategies and value propositions independent of emotion – is this possible? Organizations are by their nature made up of individuals who have values and attitudes undoubtedly contributing to the basis of strategy (what is the value proposition we need offer?). Joyner and Payne (2002) suggested, “Business must acknowledge society’s existence and society’s growing demand for more ethically responsible business practice” (p. 298). Addressing the demands generally creates the need for corporate strategic marketing as a means to analyzing consumer decision-making as well as how these stakeholders develop their brand awareness, loyalties, and buying behaviors.

Furthermore, the social sciences, specifically sociology and psychology, manifests themselves in the people within the organization and form thoughts and actions based on moral standards and ethic decision making. In support, Velasquez (2006) asserted, “Corporate policies, corporate culture, corporate norms, and corporate design can and do have an enormous influence on the choices, beliefs, and behaviors of corporate employees” (p.16). Corporate philanthropy has its genesis in the policies set forth by senior management and shareholder expectation.

In support, Godfrey (2005) presented empirical findings that suggest there is relationship between CSR (philanthropy) and shareholder wealth. This wealth component is the result of corporate financial performance realized through increased revenues, optimized cost structures, and return on invested dollars. Furthermore, he asserted, a conceptual path exists that “connects philanthropy and shareholder wealth: philanthropic activity generates moral capital, which, in turn, provides insurance-like protection for a firm’s relational wealth” (p. 792). All of these dynamics create opportunities for corporations to make ethical business decisions, which are typically complex and have wide reaching stakeholder effects.

Generally speaking, businesses have the need to do more than simply survive – they must sustain growth. Shaw and Post (1993) claimed, “Observing the moral injunctions of honesty, fairness, truth-telling, and the like are essential for lasting, long-term business relationships” (p.749). Fundamentally, philanthropic initiatives and their role in a firm’s (customer) value proposition adhere to these sustainment contributors. Joyner and Payne (2002) suggested, “By showing ways to link changes in culture that can generate positive financial performance...a stronger case [for using philanthropy as part of the value equation] can be made for such changes” (p. 310).

In a seminal vantage, Davis (1960) presented three essential rules for company decision-making and its effects on the social interaction with the consumer. He asserted there are two faces of social responsibility, which is corollary with Friedman (1970) capitalistic orientation. Put forth by Davis (1960) is a significant emphasis of social constructivism by identifying the important relationship of company profitability and the ability to balance the needs of the financial statements with those of the ethical and moral statements.

Davis (1960) continually suggested the changing needs of society will undoubtedly create challenges and opportunities for companies. In fact, Choi and Wang (2007) postulated there might be internal conflict creation when the strategic planning process, in a capitalistic capacity, deters the social philanthropic altruistic mission set forth. These entities need to be flexible and responsive in ideals and business strategy, but at the same time, work to balance fiscal and social outcomes.

More recently, Hill, Ainscough, Shank and Manullang (2007) claimed that, “Corporate social responsibility [and philanthropy] represents a differentiating factor that may be used successfully by firms to distinguish themselves...” (p. 166). Alternatively, Davis (1960) argued that a company should not risk financial ruin in the public face of social adherence. In corporate settings, the goal of the firm is to make money. Furthermore, in an axiological perspective, the values of societal relationship are intrinsic to the top and bottom line of the company’s performance. Companies exist because they have customers (consumers) to sell to — this is a *sine qua non* and *raison d’être*.

Similarly, the corporation should reflect on the CSR initiative as evidence of a supplementary integrated enterprise-wide strategy and according to Patterson (1966), “Treating humanity as an end and not as merely a means” (p. 13). As with any “initiative,” there exist both challenges and opportunities — with adaptation as a salient point. The implications bestowed on a company by the market signify the importance of maximizing the efficacy of the customer-company relationship. This relationship basis, as many in today’s marketplace, is the firm’s ability to offer a credible *value proposition* to its customers.

Patterson (1966) claimed, “If competition worked perfectly, by definition there would be no discretion in the marketplace, and therefore no need for the businessman to bother thinking about which course of action is the responsible one” (p. 15). Companies must continuously strive to achieve prominence in their respective business arenas — corporate social responsibility is one of many *arrows* in the customer loyalty *quiver*. The ability to focus on driving value provides for a balance of three dimensions: strategy, philanthropy, and sustainment.

Furthering this discussion, firms crafting their sustainability as a market provider can look to relationship marketing as an impetus to employing philanthropic initiatives. Graff-Zivin and Small (2005) stated, “As firms alter their social policies, investors compensate by adjusting their direct charitable giving, in order to maintain their preferred mix of social and private consumption” (p. 3). In order to link these two elements, corporations employ strategic marketing thereby aiming at simultaneously achieving both altruism and capitalism objectives. Moreover, relationship marketing affords corporations a “management tool” to engage consumers and similarly other stakeholder engagements in the value equation. Understanding the market dynamics specifically consumer demand can be used to an advantage over competitors. Using philanthropy as a means to move from transactional to relationship associations can benefit firms in several areas such as corporate citizenship and economically profitable exchanges. (Lindgreen & Swaen, 2005). The bottom line is those firms successfully instituting strategic marketing methods inclusive of philanthropy can have improved and balanced business model metrics.

Behavioral Sciences — Sociology & Psychology

A connection between business and the stakeholder groupings is quite complex and ever changing. Understanding the fundamental decision drivers is indispensable if a corporation wants to construct a philanthropic value proposition. Lazer (1969) defined the relationship between CSR and the role of the company marketing strategy within customer perception. He claimed, “Marketing must serve not only the business but also the goals of society” (p.3). Moreover, companies utilize varying value proposition strategies to entice and retain

customers — with primary focus on utilizing psychology. As discussed previously, adaptation is a common theme throughout this article. Based on epistemological and axiological assumptions, Lazer (1969) placed significant attention on company's willingness and ability to address societal demands. Consumer's expectations are changing at rapid rate and will do so into the future.

Additionally, Lazer (1969) recognized the need of the business leaders to listen to their customers, consider their wants and needs, and lastly, design a CSR process to meet these. He goes on to emphasize that corporations might consider "increasing expenditures...and time to develop themselves socially, intellectually, and morally" (p. 4). In a rather ontological critical theory approach, he explains the reliance of companies on consumers and alternatively, the importance consumers place on the socioeconomic provisions of the company. "There need be no wide chasm between the profit motive and the social responsibility, between corporate objectives and social goals..." (Lazer, 1969, p. 9). These provisions are reflective in the methodologies employed while constructing the philanthropic initiative(s) as part of the PVEP.

There is an imperative for triangulation of amongst philanthropy, customer perception, and buying behaviors — the interrelationship value proposition is essential in achieving optimal success outcomes. The reason is simple, those firms that are effective in establishing market credibility, brand loyalty, and having a strong ethical and moral customer perception will secure growth position. The growing imperative to combine business success with societal support has created the need to eliminate isolation and create a synergistic strategic approach to a PVEP. Joyner and Payne (2002) asserted, "Failure to capture the essence of an organization's overall performance, both as a profit-seeker entity and as a member of society..." (p. 298) will undoubtedly create discontinuity and potentially loss of reputation.

Additionally, philanthropy given its *value proposition* characteristics is, in all respects, strategic; it fits the capitalism and altruism objectives. In support of this premise, Mescon and Tilson (1987) stated, "many companies which have a strong sense of corporate social responsibility, however, are turning away from traditional giving and toward a more market-driven strategic management, bottom-line approach to philanthropy" (p. 49). Therefore, it can be concluded the use of philanthropy as simply serving the cause is no been integrated into a business imperative and thus a value equation factor.

Strategic Philanthropic Initiatives

Introducing the construct of strategic philanthropy simply is putting integration of "form and function" in front of an effective economic approach of altruism. Aligning corporate objectives (including corporate philanthropy) with those of the market place can result in differentiation and market dominance. (Bruch & Walter, 2005). Firms can realize significant gains by *making* philanthropy strategic and not simply an initiative for citizenship and CSR.

Furthermore, there is evidence of a socially-constructed relationship in that the customer can place requirements on the company who in turn must assess and react to allowing the perceptions to be accurate and real — thus another factor in the *value equation proposition*. Created through exogenous means, philanthropic initiatives drive the socioeconomics of the

relationship. As stated in Monsen (1972), “The social responsibility of business is defined most imply by public expectations” (p.126). Gyves and O’Higgins (2008) offered a similar postulate, “Society in general and stakeholders in particular need to be considered when developing a strategy for the firm” (p. 204). Those firms who consistently and assiduously balance the needs of the customer with those of the organization will undoubtedly achieve strong customer loyalty and perception.

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

Corporations are evidencing results of their desire to include philanthropy in the business model at the socio-economic. Monsen (1972) proposed definitional criterion taxonomy for social responsibility and described it as the “New Capitalism.” In this hierarchy, he indicated the existence of several levels of CSR. At each level, the corporation has the opportunity to interface and practice being socially responsible whilst working to achieve strong customer perception. Inferred in this shibboleth is the notion of corporation using of CSR and specifically philanthropy, to drive a valued economic activity resulting in satisfied stakeholders.

Similarly, Jones (1980) presented a theoretical the view of CSR as a “method” by which corporations establish and sustain corporate governance as a means of securing consumer confidence and *cause* buying behavior. Jones (1980) also claimed, consistent with an epistemological assumption, CSR is a “form of self-control which involves elements of normative constraint, altruistic incentive, and moral imperative in the quest for corporate social nirvana” (p. 59). The contribution of this particular work ascertains a construct with fundamental basis of CSR being a duty of the corporation in the economic and societal milieu.

Pointedly, companies exist to serve its stakeholders. It can be argued customers are well suited in this consideration and in most cases are at “center stage.” Jones (1980) postulated, “The crux of the conceptual aspect [of CSR] is the question of whether corporations have an obligation to groups other than shareholders” (p. 60). Furthermore, he proposed the CSR debate, which “narrated” the differences in the validating process of this phenomenon. Developing a corporate performance metric can be challenging, but nonetheless it is important to gage success and failures in the marketplace in order to continuous improve the firm’s status and sustainability. The key to measuring is the involvement of the entire organization resulting in a stronger cultural setting. Luo and Bhattacharya (2009) asserted, “Corporate social performance does not work in isolation but rather in tandem with other firm strategic instruments. For instance, instituting a philanthropic initiative to increase marketplace presence (e.g., a community fundraiser) is a frequent marketing lever in use today.

Measuring corporate performance on several scales and levels is dependent on the specific stakeholder's lens. Philanthropy as a *strategic value instrument* can lend a unique and influential dimension to corporate achievement and societal outcome. Halme and Laurila (2009) emphasized positive relationship between corporate responsibility (which in their definition includes philanthropy) and the corporation's financial performance. In concert with my perspective, the notions of compulsory and voluntary are presented in a hermeneutic manner. "Corporate responsibility [CR] is a complex phenomenon" (Halme & Laurila, 2009, p. 327).

While this term is similar to the oft referenced CSR "acronym," it reflects a broader definition having application of innovation, integration and philanthropy (Halme & Laurila, 2009). In reference to the use of the CR model, the PVPE construct parsimoniously draws purposeful similarities. Within the factors of PVPE defined earlier, corporations can utilize innovation to drive cost, quality, and improved functionality. Likewise, they can use integration to establish effective and efficient timing of product and service market introduction. The beneficence derived from these levers affects the desired outcomes of the corporation is its quest to have sustainability and societal care.

Furthering the importance of the relationship between how corporations use philanthropy as a strategic lever, Jones (1980) asserted, "Corporations are social institutions and as such must live up to society's standards; society has changed the standards for corporation, as it has every right to do" (p. 61). In addition, he presents a significant creation of knowledge by claiming, "Clearly corporate responsibility is easier to adopt intellectually than to apply" (p. 62). The inference squarely aimed at an axiological interpretive assumption basing the adoption on the consumer's value system. Moreover, an epistemological assumption distinguishes by the consumer's ability to understand the relationship through personal experiences with the company.

More recently and building upon the premise established by Monsen, some thirty seven years ago and Jones twenty nine, Wheeler, Colbert, and Freeman (2003) suggested the existence of a framework between stakeholder value creation, sustainability (in a business sense), and CSR. Firms able to comprehend the need to construct a value proposition, inclusive of a philanthropic component, may just be able to set themselves apart from their competition — long term sustainability. Wheeler, Colbert, and Freeman (2003) stated, "If sustainability is an ideal toward which society and business can continually strive, the way we strive is by creating value..." (p. 17). Value creation is a strategic perspective driven by tactical means and measured by feedback signals (e.g. consumer loyalty). Therefore, a sustainable value proposition, by definition, must have the ability to drive economic, societal and environmental means.

Corporations are faced with significant challenges and threats as they work to execute a for-profit, yet with societal focused plan. Similarly, Bird, Hall, Momentè, and Reggiani (2007) presented the awareness corporation's need to maintain in the balance of stakeholders' interests and that of the firm's philanthropic (or CSR) agenda. They assert there is a crossover point between "neo-classical economists and stakeholder theory" (p. 190) that can be isolated and studied this determining if corporations can dutifully have a equilibrium between altruism and capitalism or is one sacrificed at the expense of the other. The stakeholder theory as proposed "examines the ethics of constructing our organizations in

ways that acknowledge the rights of those whose lives are influenced by the organization” (Hatch, 2006, p. 90)

The existence of a corporation symbolizes the interaction between itself and the environment. As stated in Bird, et al. (2007), “The neo-classical view suggests that any expenditure on CSR activities [philanthropic initiatives] will put the company at a competitive disadvantage...” (p. 192). Similarly, Gan (2006) proposed, “Corporate philanthropy is in many ways a compromise or, perhaps more accurately, a conflicted synthesis of the two points of view” (p. 217). Gan further discusses the notion of strategic philanthropy as the means to an end — giving in an altruistic setting that also benefits the firm’s financial performance. “Donations can create goodwill [in the market amongst consumers] and buy influence” (Gan, 2006, p. 218). Corporate philanthropy can be beneficial to all the constituents albeit in differing ways and levels on influence.

Alternatively to an altruistic extraction, philanthropy can drive strategies in terms of marketing, selling cycles, and geographical presence all of which are essential elements to a successful business (for-profit) operating model. Brest (2005) asserted, “Strategic philanthropy has a venerable ancestry” (p. 132). There is not “one size fits all” set of criteria corporations ought to follow — it varies by degrees of ethics, social responsibility, and financial capacity. For example, according to Choi and Wang (2007) “The reason for some firms engaging in corporate philanthropy, therefore, is that philanthropy can benefit top managers themselves...” (p. 345). This theory undoubtedly has truism due to egoism and self-efficacy. However, within ethical and moral corporate circles this transparency demonstration would drive short-term objectives — resulting in detrimental reputation and value proposition falsehoods.

Corporations in today’s business arenas must have multifaceted strategies, which can affect their stakeholders. Sine qua non in this relationship is the deep-rooted understanding of importance criteria in the execution of strategy. How does the corporation value its philanthropic agenda - financial return in a capitalistic sense; on the other hand, purely altruistic? Mullins and Walker (2008) provided, “A strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organization...” (p. 40). The objectives are to be governed by corporate socially responsible initiatives while providing a suitable financial return to the shareholders.

Blowfield (2005) argued firms must be able to enact commercial strategic decisions as well as tactical operatives to create new business development opportunities in the markets in which it resides. He states, “In terms of understanding how business affects development, we need to distinguish between the business case and the case for business” (p. 522). In this sense, businesses (or corporations) have the opportunity to develop fiscal guidelines for business growth while having consideration for philanthropic initiatives in their value proposition. Anderson, Narus, and van Rossum (2006) postulated, firms must be able to substantiate a *business case*, whereby the customer, as a primary stakeholder, understands its costs and benefits.

Similarly, Godfrey (2005) presented a theoretical rationalization between philanthropy and the prosperity of the corporation’s stakeholders. He asserts the value of social science, economics, legal, and business ethics in the determination of a corporation’s philanthropic inclusion. Godfrey (2005) clarified, “Philanthropy represents a discretionary manifestation of

CSR that differs...from obligatory conformance with economic, legal, or moral/ethical dimensions of CSR” (p. 778). The term discretionary is sine qua non in the analysis and synthesization of corporate philanthropy reasoning.

Brønn and Vidaver-Cohen (2009) asserted an alternative view and concluded that corporations have philanthropy as one of their strategic priorities in order to attract investors. They go on to suggest, “Past research on corporate social performance (a/k/a corporate philanthropy) reveals considerable public skepticism about the reasons companies engage in social initiatives, and many assume these activities are undertaken purely for self-interest” (p. 92).

There exists a myriad of social, political, legal, and psychological perspectives taking an opposing view. In a pure stakeholder theory, firms that have corporate social awareness and consider philanthropic initiatives as an approach to furthering their position must deem the effects of its activities on its constituency base. (Bird, Hall, Momentè, & Reggiani, 2007; Golob, Lah & Jancic, 2008). Consumers generally place pressure on firms through several means. In this regard, developing a value proposition addressing these influencers will allow the corporation an opportunity to achieve success on quite a few fronts. Moreover, Golob, et al. (2008) asserted, “Given the increasing consumer expectations of CSR [philanthropy] and the pressures of companies to behave and communicate in a responsible manner, it is important to understand the factors that influence those expectations” (p. 84). While not a task for the faint of heart, corporations must develop strategies to meet the marketplace demands, at all levels of perspectives.

Summary and Conclusion

Formalizing the philanthropic process can enable firms to realize gains in their customer value proposition. Mescon and Tilson (1987) claimed, “Philanthropy in many instances has developed into vital component of corporate strategic management and placed greater emphasis on maximizing a return...” (p. 50). In other words, corporations now can look to philanthropic as method to enhance their value proposition. Bird, et al. (2007) evidence suggested, “Management can [now] consider the interests of a diverse set of stakeholders without significantly compromising the wealth of company stockholders” (p. 204). Sine non-qua in this implementation is the equilibrium between stakeholder theory and neo-classical (Friedmanite) economic perspective.

Corporate citizenship cannot and should not stand-alone; to be effective and lasting, it needs to complement the rest of the business strategy. Zoellick (1999) asserted, “This concept of corporate citizenship would produce a strategic philanthropy” (p. 4). Corporations enacting strategic planning must purposefully monitor their key performance metrics in order to measure compliance to their philanthropic objectives. Gyves and O’Higgins (2008) claimed, “The benefits produced should be sustainable, rather than temporary” (p. 210). Moreover, corporate philanthropy can be utilized to enhance the marketplace positioning of a firm and thus qualifies as an *enabler* in furthering sustainability and enduring reputation (Brammer & Millington, 2005; Gyves & O’Higgins, 2008).

Corporations who represent preeminence in their respective sectors seemingly get it right. Drucker (1984) stated “Proper social responsibility [philanthropy] of business is to tame the dragon, which is to turn a social problem into economic opportunity and economic benefit...” (p. 62). Those who achieve prominence in society are able to balance their CSR based on moral judgments and ethical validation, with their objective to sustain a profitable growth model. While Drucker provides a cogent position, further discussion results in the use of philanthropic initiatives in the furthering of the business objective. For example, Gyves and O’Higgins (2008) asserted the importance of societal consideration in a differentiation context. In this sense, philanthropy, as a subset of CSR, will bring a unique set of marketing capabilities and diversification to the business model.

CSR yields many ethical theories relationships as introduced. Porter and Kramer (2002) suggested that “when corporations support the right causes in the right ways – when they get the *where* and the *how* right – they set in motion a virtuous cycle” (p.66). Corporations are philanthropic successful when they are able to optimize the relationship between their business model and the cause and the cause in return creates a social satisfaction and achievement for the corporation. Velasquez (2006) affirmed that this cycle has correlation to the “communitarian ethic” theory. He defines this ethic as viewing concrete communities and communal relationships as having a fundamental value that should be preserved and maintained” (p.103).

In addition, the enactment of philanthropic initiatives for strategic purpose creates a myriad of business and social conduits which to follow. Gan (2006) stated, “As it exists today, corporate philanthropy is in many ways a compromise or, perhaps more accurately, a conflicted synthesis...” (p. 217). The altruistic-capitalistic relationship creates the cycle of virtue and thus an interdependence and reliance on mutual success. The PVEP concept captures fundamentals of a business model and conjoins with a philanthropic methodology – resulting in a distinctive competitive advantage if executed to the highest degree.

Porter and Kramer (2006) sponsored the use of business strategy in furthering corporate social responsibility to achieve a positive result. Gyves and O’Higgins (2008) emphasized, “A strategic approach...by mapping the social impact of its various value chain activities to identify opportunities for the firm...to achieve social and strategic distinction” (p. 209). The idiom “strategic philanthropy” creates unheralded uses of corporate competencies while maximizing the value, both socially and financially, of the firm through the consumer’s lens (Brest, 2005; Gan, 2006). Being able to successfully manage the complexities of schema within the PVEP creates challenges and opportunities for corporations who choose to implement this concept. Gan (2005) postulated, “...Corporate philanthropy can create positive moral capital among the relevant circles of stakeholders” (p. 221).

There is the alternative argument professing that philanthropy does not add to the value proposition but rather interferes with the outcomes is shrouded with skepticism. Valor (2005) concluded, philanthropy...used by companies as a means of meeting their economic responsibility, by improving corporate reputation and, in general, by using it as a marketing tool” (p.1). Utilizing corporate philanthropy “correctly” as a market place differentiator – wisely and strategically is legitimate a business practice. Buchholtz (1999) asserted, “Philanthropy has become one of the strategic tools... for improving profits, instilling customer loyalty...and building community relations” (p. 171). Improving cost structure,

optimizing quality, broadening functionality, and providing timeliness of use are all facets of effectively indoctrinating philanthropic initiatives into a business model — the philanthropic value equation proposition.

References

- Anderson, J., Narus, J., & van Rossum, W. (2005, March). Customer value propositions in business markets. *Harvard Business Review*, 1-11.
- Bird, R., Hall, A., Momentè, F., & Reggiani, F. (2007). What corporate social responsibility activities are valued by the market? *Journal of Business Ethics*, 76(2), 189-206.
- Blowfield, M. (2005). Corporate social responsibility: Reinventing the meaning of development? *International Affairs*, 81(3), 515-524.
- Brammer, S. & Millington, A. (2005). Corporate reputation and philanthropy: An empirical analysis. *Journal of Business Ethics*, 61(2), 29-44.
- Brest, P. (2005). In defense of strategic philanthropy. *Proceedings of the American Philosophical Society*, 149 (2) 132-140.
- Buchholtz, A., Amason, A., & Rutherford, M. (1999). Beyond resources: The mediating effect of top management discretion and values on corporate philanthropy. *Business and Society*, 38, 167-87.
- Bruch, H. & Walter, F. (2005). The keys to rethinking corporate philanthropy. *MIT Sloan Management Review*, 47(1), 49- 55.
- Carroll, A. (1979). A three-dimensional model of corporate performance. *Academy of Management Review*, 4(4), 497-505.
- Choi, J. & Wang, H. (2007). The promise of a managerial values approach to corporate philanthropy. *Journal of Business Ethics*, 75(4), 345-359.
- Collins, J. (2009, October 3). *Regarding philanthropy and what separates organizations that have corporate philanthropic initiatives*. Speech given at the Annual Philanthropy Roundtable Meeting, Colorado Springs, CO.
- Davidson, J. (1994). The case for corporation cooperation in community affairs. *Business and Society Review*, 90, 270-276.
- Davis, K. (1960). Can business afford to ignore social responsibilities?. *California Management Review*, 2(3), 70-76.
- Feldman, L. (1971). Societal adaptation: A new challenge for marketing. *Journal of Marketing*, 35(3), 54-60.
- Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *The New York Times Magazine*, 32-33, 122, 124, 126.

- Gan, A. (2006). The impact of public scrutiny on corporate philanthropy. *Journal of Business Ethics*, 69(3), 217-236.
- Graff-Zivin, J., & Small, A. (2005). A modigliani-miller theory of altruistic corporate social responsibility. *B.E. Journals of Economic Analysis & Policy: Topics in Economic Analysis & Policy*, 5(1), 1-21.
- Gyves, S. & O'Higgins, E. (2008). Corporate social responsibility: an avenue for sustainable benefit for society and the firm? *Society and Business Review*, 3(3), 207-223.
- Hamle, M. & Laurila, J. (2009). Philanthropy, integration or innovation? Exploring the financial and societal outcomes of different types of corporate responsibility. *Journal of Business Ethics*, 84(3), 325-339.
- Hill, R., Ainscough, T., Shank, T., & Manullang, D. (2007). Corporate social responsibility and socially responsible investing: A global perspective. *Journal of Business Ethics*, 70 (2), 165-174.
- Joyner, B. & Payne, D. (2002). Evolution and implementation: A study of values, business ethics and corporate social responsibility. *Journal of Business Ethics*, 41(4), 297-311.
- Lazer, W. (1969). Marketing's changing social relationships. *Journal of Marketing*, 33(1), 3-9.
- Lindgreen, A. & Swaen, V. (2005). Corporate citizenship: let not relationship marketing escape the management toolbox. *Corporate Reputation Review*, 7(4), 346-363.
- Luo, X. & Bhattacharya, C.B. (2009). The debate over doing good: Corporate social performance, strategic marketing levers, and firm-idiosyncratic risk. *Journal of Marketing*, 73(11), 198-213.
- Mescon, T. & Tilson, D. (1987). Corporate philanthropy: A strategic approach to the bottom-line. *California Management Review*, 29(2), 49-61.
- Monsen, R. J. (1972). Social responsibility and the corporation: Alternatives for the future of capitalism. *Journal of Economics*, 6(1). 125-141.
- Mullins, J., & Walker, O. (2008). *Marketing management: A strategic decision-making approach* (7th ed.). New York: McGraw-Hill/Irwin.
- Patterson, J. (1966). What are the social and ethical responsibilities of marketing executives? *Journal of Marketing*, 30(3), 12-15.
- Porter, M. & Kramer, M. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 85(12). 78-92.
- Porter, M & Kramer, M. (2002). The competitive advantage of corporate philanthropy. *Harvard Business Review*, 80(12), 56-69.
- Shaw, B. & Post, F. (1993). A moral basis for corporate philanthropy. *Journal of Business Ethics*, 12(10), 745-751.
- Sweeney, D. (1972). Marketing: management technology or social process? *Journal of Marketing*, 36, 3-10.

- Valor, C. (2005). Consumers' responses to corporate philanthropy: Are they willing to make trade-offs? *International Journal of Business and Society*, 6(1), 1-26.
- Velasquez, M.G. (2006). *Business ethics: Concepts and cases* (6th ed.). Upper Saddle River, NJ: Prentice Hall.
- Wheeler, D., Colbert, B., & Freeman, R.E. (2003), Focusing on value: Reconciling corporate social responsibility, sustainability and a stakeholder approach in a networked world. *Journal of General Management*, 28(3), 1-28.
- Zoellick, R. (1999, January 27). *Strategic philanthropy for business*. Keynote address before the Business-Humanitarian Forum, Geneva, Switzerland.
-

Author Biography

Philip L. Fioravante, BS, MBA is a well-rounded business executive, an Adjunct Assistant Professor at Walsh College (Troy, Michigan), and a Ph.D. candidate at Capella University (Minneapolis, Minnesota). Currently, he is with a Private Equity firm and has responsibilities in an operational capacity as President and CEO of two portfolio companies and is heavily involved in a new start-up.

He has been President and CEO of small and medium sized firms for over the past seven years and has an extensive background in international business, strategic marketing and management, as well as product development and planning. He has spent numerous hours developing proprietary approaches to market and product development and has copyright on a Marketing Toolkit© which he uses in consulting with domestic and international clients.

During his nearly twenty-nine years in business, he has mentored several young students and students. He is also very involved with philanthropic initiatives on personal, corporate, and foundation levels. He also sits on numerous academic and corporate boards in Michigan. He also has been a guest speaker at industry and educational meetings.