

Quality reporting of corporate philanthropy

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Abstract

Purpose – The purpose of this paper is twofold: first, to outline a framework for corporate philanthropy (CP) reporting that could help differentiate between symbolic and substantive reporting; and second, to test whether the reporting practices of large corporate donors are symbolic or substantive.

Design/methodology/approach – First, to construct a framework for CP reporting, the authors draw from research on corporate social responsibility communication, CP and reputational capital-building. Second, the philanthropy disclosures found in non-financial reports of the largest donors from the list of Fortune 100 corporations were examined using content analysis.

Findings – The theoretical framework identifies key ingredients of disclosure quality such as goals, causes, support, partners and impacts. The empirical findings show that disclosures regarding CP are more symbolic than meaningful. The largest donors provide descriptive information regarding the CP plan that primarily focuses on projects and causes. However, they fail to provide an explicit account of their decisions and the results of their philanthropic activities.

Research limitations/implications – The framework could also be applied with small changes to other communication outlets including social media and corporate websites.

Originality/value – This paper addresses an important gap in non-financial reporting research: the lack of a CP accounting model. To the authors' knowledge, the framework developed in this paper represents the first conceptualization of the quality of CP disclosure that may enable scholars to differentiate symbolic from substantive CP and in this way advances the debate on CP communication. This framework can also help companies sincerely engaged in philanthropy to benefit from these activities.

Keywords Disclosures, Corporate philanthropy, Fortune 100, Quality reporting

Paper type Research paper

Introduction

Corporate philanthropy (CP) is one of the main topics covered in non-financial or corporate social responsibility (CSR) reports (Chen *et al.*, 2008; Holder-Webb *et al.*, 2009). CP is defined in this paper following the accounting definition (FASB, 1993, in Godfrey, 2005): “an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner” (p. 778) (similarly defined by the Committee on Corporate Grantmaking, in Council on Foundations, 2002).

Although CP disclosures represent a large percentage of total disclosures (Yekini, 2012), they may not be substantive. Research on CSR reporting has resulted in a perception of the symbolism and lack of substance of such reporting (Shabana and Ravlin, 2016; Coombs and Holladay, 2013). CSR reporting is regarded as an exercise in impression management or greenwashing that causes scepticism among stakeholders. Similarly, CP has often been characterized as a meaningless activity, and CP reporting has been posited as a key element in driving stakeholder perceptions of “symbolism” (Hess and Warren, 2008). The implications sections of past research on CP's influence on stakeholders provide advice on how to communicate regarding CP to prevent scepticism and increase trust (e.g. Forehand and Grier, 2003; Godfrey, 2005).



However, little research has exclusively focused on CP reporting. Even less research has addressed the question of whether CP reporting is substantial or symbolic. In addition, we lack a theoretical framework leading to measurable criteria that would help stakeholders assess whether the disclosures are substantive or symbolic, and/or we do not have a clear understanding of what constitutes symbolic communication of CP.

Although companies could communicate their philanthropic strategy and results through different outlets, this paper focuses on non-financial reporting, in the understanding that information provided in non-financial reports is indicative of the communication strategies companies use elsewhere (Spence and Thomson, 2009) and because reporting is a typical mechanism employed in reputation management (Pérez, 2015) and legitimization (Shabana and Ravlin, 2016).

Communicating CP is challenging (Morsing and Schultz, 2006) for a number of reasons. First, companies disclosing information on socially responsible initiatives that include, among other issues, their CP initiatives often must cope with media and consumer scepticism. Even firms that achieve outstanding CSR results could be accused of hypocrisy or exploitation of social causes (Hess and Warren, 2008). Therefore, CSR communication is often viewed as involving a dilemma (Morsing *et al.*, 2008): if firms fail to communicate, they will not reap the reputational benefits; however, communicating may backfire and damage the corporate reputation.

Second, an agreed-upon framework for CP communication is lacking. Reporting guidelines (such as the Global Reporting Initiative) do not include a set of indicators for use when reporting CP (Tsang *et al.*, 2009). No such framework has been developed in scholarly journals. Previous research has tentatively described the features of substantive CP communication. However, researchers have not systematically articulated a set of criteria for CP reporting that could increase stakeholder trust in a firm. For instance, Forehand and Grier (2003) suggest that information regarding the strategic benefits gained from social initiatives should be released because this acknowledgment of non-altruistic motivation reduces the negative impact of the firm-serving attributions on the corporate evaluation. Grau *et al.* (2007) note that the public favors specific information on corporate charitable spending. Abstract messages regarding charitable contributions are perceived as least trustworthy. Godfrey (2005) theorizes that CP may create reputational capital if stakeholders perceive that companies are not ingratiating themselves with the stakeholders and emphasizes that transparency is a pre-condition for the creation of moral capital. However, Godfrey (2005) does not explain how to report CP. He only mentions that stakeholders should be able to evaluate “the intents, motivations, goals and vision of the actors [...] and the processes” (p. 795). Thus, we lack a comprehensive, systematic and clear framework of what CP disclosure should entail if stakeholder scepticism is to be avoided.

This missing framework indicates the limited institutionalization of CP reporting. The institutionalization of CSR reporting is the result of legal pressures, industry-level pressures or social community pressures (Campbell, 2006; Etzion and Ferraro, 2010). There are no such pressures to improve the quality of CP. Legal regulation on CSR disclosure does not include CP (e.g. the French *bilan social* or the recent EU Directive on non-financial reporting, 2013). The Global Reporting Initiative, which is considered the standard with respect to CSR reporting (Brown *et al.*, 2009), does not include CP in its set of performance indicators, except the total amount of contributions to society. Social indices do not demand much information on CP except for donation volumes, types, projects and causes (Marquis *et al.*, 2007). In addition, the community – the alleged target of the CP information – is loosely coordinated and does not have clear representatives, which may explain its limited power *vis-à-vis* companies (Muthuri, 2008) and represent a reason why community views regarding CP are not reflected in the type of content reported by firms. Thus, in the absence of

pressures for increased accuracy in CP reporting, binding standards have not been created, and a “CP accounting” remains lacking.

This paper aims to contribute to the literature on CP communication in two ways: first, by outlining a framework for CP quality reporting in non-financial reports that could help stakeholders differentiate between substantive and symbolic CP; second, by using content analysis we examine whether the CP disclosures of large donors in their non-financial reports are substantive and whether there are instances of symbolic reporting that may result in stakeholder scepticism and ultimately cause the dilemma identified by Morsing *et al.* (2008). More specifically, the paper aims to answer two research questions:

RQ1. What conditions should CP reporting meet so that it is considered substantive?

RQ2a. To what extent can the CP communication of donors be considered substantive?

RQ2b. Are there particular instances of symbolic communication of CP?

The theoretical contribution of the paper lies in offering a framework for CP reporting. This new knowledge has important implications for practitioners and academics. First, this reporting framework can help companies overcome the usual scepticism toward CP initiatives. Second, providing practitioners guidance on how to report CP can help companies sincerely engaged in philanthropy benefit from these activities in the long term by creating moral capital, thus complementing Godfrey’s (2005) model. Third, the framework could also be applied with small changes to other communication outlets, including social media and corporate websites.

Additionally, this paper makes an empirical contribution. Assessing donor reporting will provide evidence for the long-held debate on whether CP communication is substantive or symbolic. Moreover, the paper extends this empirical contribution by providing a list of symbolic reporting practices that may mislead stakeholders and create scepticism, eventually endangering corporate reputation.

A framework for CP reporting

This section explains the contents to be covered in non-financial reports to provide stakeholders with substantive information on corporate philanthropic activities. To construct this framework, we draw from research on CSR communication and reputational capital-building. In particular, research was reviewed that describes what creates scepticism among consumers and/or information that would induce stakeholders to positively evaluate the disclosure of an aspect of CP. Based on this approach, we propose five main aspects of reporting: goals of the CP plan, causes and projects/specific initiatives, support, partners and outcomes.

Goals of the CP plan

This dimension of CP reporting concerns the content, specificity and measurability of the goals set for the CP plan. Also, under this dimension, companies should explain who is in charge of CP and how the strategy is developed. A justification of these indicators is explained below.

Godfrey (2005) includes this reporting aspect when he discusses transparency. However, reporting the goals of a CP plan is a delicate exercise. As Spence and Thomson (2009) explain, companies experience conflicting influences. On the one hand, shareholders and investors pressure companies to monetize their donations. This pressure provides incentives to firms to express egoistic motivations, which are aligned with shareholder goals, such as increasing sales or reducing reputational risk. On the other hand, stakeholders demand an altruistic stance from the company.

These conflicting influences can be resolved by attributing social/environmental and economic goals to the CP plan (Pomeroy and Johnson, 2009; Valor, 2007). When CP pursues these two goals, it is described as “strategic” (Campbell and Slack, 2007).

This information should be provided quantitatively. That is, companies should set measurable objectives for the projects they support and measure whether these targets have been achieved. Specificity is understood as a signal of substantive CSR (Donia and Sirsly, 2016), whereas abstract messages regarding charitable contributions are perceived as least trustworthy (Grau *et al.*, 2007).

Causes

The second dimension to be reported is the causes chosen and the specific supported project as part of the CP plan, describing what is being done/was done and the rationale for choosing them; in particular, explaining the fit between the causes and the firm’s mission and their resources and capabilities.

According to the model of moral capital, it is important to report the causes to which a company contributes because unless the causes receive stakeholder approval reputational capital will not be created (Godfrey, 2005). Companies should describe the causes that represent the axis of the strategy and the specific supported projects.

Previous studies have found that stakeholders react differently to different causes e.g. national vs local, Ross *et al.*, 1991; disaster relief vs on-going causes, Ellen *et al.*, 2000; Ross *et al.*, 1991). Similarly, researchers have found that stakeholder involvement with a cause influences the evaluation of a philanthropy plan (Astous and Bitz, 1995; Drumwright, 1996).

However, a mere description of the causes to which the firm donates is insufficient. According to Godfrey (2005) (similar ideas are presented in Hess and Warren, 2008; Muthuri, 2008; Valor, 2007), companies should explain why a cause has been selected and the process by which it was selected. In particular, companies should explain who is in charge of CP, whether they engage in consultations with stakeholders, and the monitoring systems in place (i.e. the systems that enable a firm to evaluate the outputs of its strategy).

Companies should specifically explain the alignment between the causes and/or projects and the firm’s assets and capabilities (Hess and Warren, 2008) as well as the fit with the corporate mission (Simon, 1995). This explanation will help report readers determine whether CP is the manifestation of a genuine altruism or an attempt to ingratiate the firm with stakeholders (Godfrey, 2005). This issue is important since stakeholder evaluation of CP is influenced by the fit between the core business and the cause. However, results are inconsistent regarding the optimal level of fit. Focusing on cause-related marketing, Pracejus and Olsen (2004) found that the fit between cause and brand increased the likelihood of choosing the brand. However, when studying donations, other scholars (Drumwright, 1996) concluded that if the fit between a core business and a cause was too close, consumers were sceptical regarding the campaign. Ellen *et al.* (2000) suggested that at the beginning it may be more effective if there is a certain degree of incongruence between the core business and the chosen cause.

Support

This third aspect of reporting focuses on the support provided by the firm to the causes/projects and how it is implemented (e.g. cash or in-kind), together with the justification of these decisions. The literature on reputation-building observes that the level and the stability of funding are key aspects regarding which companies should be transparent (Godfrey, 2005). These two requirements are also emphasized by Hess and Warren (2008), who contend that relational philanthropy (i.e. a long-term relationship with a cause to which the firm makes a substantial contribution) is more meaningful. Hess and Warren also argue that CP is more meaningful when a firm deploys key resources and capabilities linked to

core competencies. Therefore, firms should also provide a justification of why a cause has been selected and in which process the cause was selected.

Previous studies have found that stakeholders use donation size to infer whether a firm is trying to behave opportunistically. The higher that the donation size is, the less the campaign is perceived as only creating value for the firm (Ellen *et al.*, 2000). In addition, there is empirical evidence regarding the length of time a donation is maintained and its influence on stakeholder responses: the longer that a firm supports a cause, the better the evaluation by stakeholders (Astous and Bitz, 1995).

The type of philanthropy may also be a relevant cue used by stakeholders to evaluate whether a company is seeking to ingratiate itself with them. Although the literature mentions many types of donation (see the list in Seitanidi and Ryan, 2007), not all types fit the conventional definition of CP. "Commercial" forms of CP, such as sponsorships or cause-related marketing, are excluded from this definition since they are not a one-way transfer of wealth but an exchange of value between two parties. Other forms of philanthropy, such as cash donations, in-kind donations or employee volunteerism (Burke *et al.*, 1986), agree with the definition. Since each donation type is differently evaluated by stakeholders, they will be discussed here.

The literature shows that product donations are more highly evaluated than cash donations of similar value (Ellen *et al.*, 2000). A possible explanation of this phenomenon is that in-kind donations are perceived as demanding more effort and as expressing the firm's character (Ellen *et al.*, 2000). This explanation is in accordance with Pirsch *et al.* (2007), who showed that providing stakeholders with detailed information regarding pro-social engagement decreases stakeholder scepticism and results in more favorable responses.

However, only providing the public with data on in-kind support could result in an inappropriate assessment of corporate charitable expenses for at least two reasons. First, product donations are generally less costly to firms than monetary donations (Kotler and Lee, 2005). Second, when individuals are only provided abstract descriptions of corporate donations, they tend to exhibit high variances in their evaluations of the provided help (Olsen *et al.*, 2003). Thus, information regarding in-kind donations should be complemented with specific data on the monetary value of the donations to not mislead the stakeholders and/or to avoid being accused of ingratiating behavior.

A similar case is that of corporate volunteering. Firms can support employee volunteering in different ways: allowing employees to take time off without pay, adjusting work schedules, providing access to company facilities and equipment, organizing volunteering during working hours (Basil *et al.*, 2011). Of course, all the corporate initiatives conducted to encourage employees to volunteer reflect the firm's pro-social policy. However, pure CP engagement generally does not equal the value of employee volunteering because employees typically volunteer after working hours. Corporate contributions only reflect salaries provided to employees for the volunteering time and the equivalent of other resources provided by a company for these activities. Therefore, to not mislead the public and to avoid accusations of deceptive reporting, corporations should explicitly reveal data on the support exclusively for volunteering.

Partners

The fourth aspect of reporting concerns a description of the partners with whom the projects are implemented, as well as the rationale for their choice. Most corporations implement their CP by allying with a nonprofit organization. Such cross-sector alliances "create more value together than they could have done separately" (Austin and Seitanidi, 2012). As Austin (2000) modeled, the type of alliance may vary on a continuum from philanthropic to integrative, with differences depending on several criteria, such as the magnitude of invested resources, the level of engagement or the scope of activities.

Several authors have stressed that the organizational fit between both partners is key to ensuring the creation of value (Austin and Seitanidi, 2012; Gourville and Rangan, 2004). However, there is little empirical evidence regarding how stakeholder evaluation of nonprofit partners may influence the creation of perceptible benefits. Nevertheless, several studies have addressed the influence of corporate image on evaluations of nonprofits and concluded that there is a halo effect to the nonprofit in social alliances (Lichtenstein *et al.*, 2004). Similarly, it has been found that an alliance between a firm and a nonprofit is a vital factor in building organizational identities for employees (Berger *et al.*, 2006).

Based on the framework proposed by Simon (1995), companies must report the names of the partners, the criteria used to select the partners, and the value added by the nonprofit.

Impact: output and outcomes

The final dimension of CP reporting comprises the outcomes of the CP for the community. CP should impact the community positively. Thus, to evaluate CP, stakeholders require information regarding the societal outcomes of philanthropic activities. Tsang *et al.* (2009) justify including outcomes as a substantial aspect of reporting, stating that such practice reflects the spirit of GRI. For Hess and Warren (2008), the outcomes of CP enable stakeholders to discern the difference between a “symbolic” and a “meaningful” social initiative since the meaningfulness “depends on its efficiency and effectiveness in meeting the needs of society” (p. 171) (in a similar vein, see Muthuri, 2008; Simon, 1995; Valor, 2007).

However, it is important to differentiate between output and outcome. Outputs are the products, services or facilities that are the direct result of the donation (e.g. the school was provided 100 new computers). Outcomes are the changes or benefits that result from the output, i.e. the difference that an output makes to the community (e.g. student computer skills improved by 1.5 points).

Measuring impact on communities is not an easy task. Companies could learn from the literature published in development and policy sciences journals on how to measure the impact of aid on communities. In addition, government offices and think tanks have developed measurement models that could inspire firms (see a review in Hofmann *et al.*, 2004). Firms could benefit from the tools created by business associations to measure the social and economic impact of corporate operations (e.g. Business for Social Responsibility, Accountability and Brody Weiser Burns, 2003). However, if a company works with an NGO, it is typically part of the NGO's responsibilities to provide this information. For example, the International Business Leaders Forum (2011) recommends using internal communications systems or developing special events to illustrate the benefits of a corporate-NGO partnership to senior management and selected departments within the partner organizations.

The literature review allows us to respond to the first research question of this paper:

RQ1. What conditions should CP reporting meet so that it is considered substantive?

Having established the five dimensions of CP a company should report, we examine next the reporting of big donors in order to answer the second research question:

RQ2a. To what extent can the CP communication of donors be considered substantive?

RQ2b. Are there particular instances of symbolic communication of CP? (Table I).

Method

This paper examines disclosures of CP in non-financial or CSR reports by using content analysis, as described below.

Table I.
Summary of the
reporting framework

Dimension	Goals of the plan	Causes	Support	Partners	Outcomes
What should be reported	Economic and social goals of the CP plan/ projects	Description of supported causes and projects, rationale for choosing them, alignment with firm's assets and capabilities and with corporate mission	Level of funding (adding up all type of contributions), stability of funding, type of contribution, rationale for giving this contribution to the cause	Criteria used to select partners, justification of the value added by the nonprofit	Societal impact of the CP
Type of indicators	Quantitative: set clear targets	Quantitative and qualitative (rationale and fit)	Quantitative and qualitative (rationale)	Qualitative	Quantitative and qualitative
Sources	Campbell and Slack (2007), Godfrey (2005), Spence and Thomson (2009), Valor (2007)	Godfrey (2005), Hess and Warren (2008), Simon (1995), Valor (2007)	Burke <i>et al.</i> (1986), Godfrey (2005)	Austin and Seitanidi (2012), Gourville and Rangan (2004), Simon (1995)	Hess and Warren (2008), Tsang <i>et al.</i> (2009), Valor (2007)

Variables and analysis

To analyze the reports, the method suggested by Campbell and Slack (2008) was followed. Pre-agreed disclosure categories were identified. Then, reports were evaluated against them. According to Campbell and Slack, this approach is more appropriate when a qualitative assessment is required, as is the case here. Our research questions are oriented to discover what is being reported rather than how much is reported or how often. The categories were created based on the literature review and supplemented by other indicators that are descriptive of CP reports. In total, 25 indicators were analyzed. Following several authors (e.g. Beck *et al.*, 2010; Holder-Webb *et al.*, 2009; Morhardt *et al.*, 2002), we used a coding system following Sustainability and UNEP (2000) scale, more attuned to examining quality of content rather than volume of content. Indicators were awarded a score of 0 to 4 based on the comprehensiveness of the information provided by the company, whereby "0 means that the issue is not discussed, and 4 means that the issue is fully disclosed in a comprehensive, integrated and particularly innovative manner" (SustainAbility and UNEP, 2000). Scores of 1 are interpreted as anecdotal information, usually statements about the commitment of the firm with the corresponding explanation or performance indicator, but with no detail or minimum coverage. Scores of 2 are interpreted as incomplete information, usually as the information given is detailed/numeric, but it does not concern all business or country units, or it is not broken down as required. A score of 3 is interpreted as complete company-wide information that can be compared with other firms. A score of 4 is given when the company compares their results with the industry or a standard. As aforementioned, indicators were of quantitative nature (outcome) and qualitative (management). The scale was adapted for each kind of indicator (coding book available from authors upon request). Scores were awarded for each indicator, and simple averages were calculated for each dimension. We found no instances where a score of 4 could be awarded.

Both authors reviewed the CSR reports and evaluated the companies. To minimize subjectivity, several strategies were used: a subsample of reports was jointly reviewed to harmonize the scoring criteria; the authors met daily to address doubts when evaluating companies.

To measure the inter-coder reliability of the content analysis, this study used Cohen's κ indices. Specifically, for nominal scales, we calculated κ s following Cohen's original formula (Cohen, 1960). Given that Cohen's κ expresses disagreement between the two

coders but not the degree of disagreement, we estimated the inter-coder reliability of the ordinal scoring using throughout the weighted Cohen's κ , which treats disagreements differently (Cohen, 1968). Inter-coder reliability, calculated for a subsample of 30 reports (56.6 percent of the entire sample), was considered acceptable following the benchmark established by Fleiss *et al.* (2003). Specifically, the κ coefficients ranged from 0.63 to 0.94 (for details, see Table II).

This quantitative analysis was complemented with an inductive analysis. In the course of the analysis, some practices that could be deemed symbolic, or even misleading, in CP reporting were identified. These practices were inductively established after the CP section of the report was analyzed. The practices were identified and defined by applying grounded theory principles of analysis, in particular the constant comparison principle (Corbin and Strauss, 1990).

Sample

CSR or non-financial reports issued by corporations included on the Fortune 100 list that were simultaneously members of the Committee Encouraging Corporate Philanthropy (CECP) were analyzed. Using this sample is justified for two reasons. First, the chosen companies are the world's largest philanthropic contributors. Second, as CECP members, the companies claim to treat CP as a strategic business tool, which entails addressing the demands of both shareholders and stakeholders.

Dimension	Evaluation criteria	No. of reports ^a (%)	Mean score	Distribution of scores across reports				Cohen's κ
				1	2	3	4	
Goals and targets	Economic goals	15 (28)	n/a	n/a	n/a	n/a	n/a	0.815
	Social goals	40 (75)	n/a	n/a	n/a	n/a	n/a	0.754
	Specific targets	15 (28)	2.5	2	4	9	0	0.895
	Who is in charge	16 (30)	1.8	6	7	3	0	0.897
	How the strategy is crafted	18 (34)	1.3	12	6	0	0	0.637
Causes	Description of causes	46 (87)	2.2	7	10	15	0	0.819
	Description of projects	49 (93)	2.3	4	9	17	0	0.765
	Rationale for choosing them	26 (50)	2.0	27	6	13	0	0.765
	Fit with assets	37 (70)	1.7	16	16	15	0	0.829
	Fit with mission	25 (47)	1.6	28	14	6	0	0.864
Support	Total volume donated	40 (75)	n/a	n/a	n/a	n/a	n/a	0.965
	Volume per cause	33 (62)	2.4	7	5	21	0	0.742
	Volume per project	39 (74)	2.1	8	19	12	0	0.727
	Volume per country	20 (38)	2.2	6	5	9	0	0.846
	Stability of funding	35 (66)	1.8	13	17	5	0	0.720
	Volume per type of donation	33 (62)	2.1	12	6	15	0	0.777
	Type of contribution	42 (79)	2.0	16	12	14	0	0.823
	Calculation method for support	8 (15)	1.9	2	4	0	0	0.756
Partners	Rationale for choosing types of support	9 (17)	1.4	6	1	0	0	0.714
	Name of partners	47 (89)	2.1	11	21	15	0	0.895
	Criteria for choosing them	9 (17)	1.4	6	2	1	0	0.878
	Value added by partner	10 (19)	1.2	8	2	0	0	0.774
Impact	Outputs	46 (87)	2.0	13	18	15	0	0.750
	Outcome qualitative info.	29 (55)	1.3	22	6	1	0	0.758
	Outcome quantitative info.	21 (40)	1.5	12	8	1	0	0.756

Notes: n/a, not applicable because of 0/1 scale implementation. ^aBased on 53 reports

Table II.
Summary of the
philanthropy
disclosure evaluation

CSR reports were downloaded from company websites. If the report was integrated with financial information (seven cases), the integrated report was analyzed. Although 63 companies satisfied the previously described inclusion criteria, we found only 53 non-financial reports (financial year 2012), even after thoroughly searching each site for “report” or “philanthropy” or using web search engines (see the entire list of examined firms in Appendix). In the remaining cases, information regarding philanthropic activity was not available in the form of a downloadable CSR report. Since the paper focuses on formal reporting, these cases were not analyzed. Each report was read in its entirety to locate disclosures regarding CP. In total, 34 reports were issued following GRI guidelines. Approximately 89 percent of the reports included global data, while five statements covered information limited to the USA and/or Canada. The average number of pages in a report was 77, including approximately nine pages devoted to philanthropic activity (17 percent on average; in two cases, the entire report was devoted to CP). Information regarding philanthropy was provided by dedicated sections in 75 percent of cases. The remaining reports included this type of data across other sections. In addition, to more comprehensively investigate reporting practices, we analyzed CSR supplements that complemented the main reports (eight documents).

We performed *t*-test to make sure if there is no significant difference among the papers regarding the report lengths and adoption of GRI guidelines. The *t*-tests show that the length of the report is greater if the report is global ($M_{\text{report pages}} = 85.9$ vs 32.33 , p -value < 0.05). Reporting using GRI did not make any difference in any of the indicators.

Results

Our analysis focuses on five dimensions of philanthropy disclosures (Table II). An analysis of goals and targets shows that 75 percent of companies disclose desired social outcomes, while only 25 percent of companies reveal economic goals. Companies also seem reluctant to report who is in charge of philanthropic programs or how the philanthropic strategy is crafted.

Regarding the second dimension, firms predominantly describe projects and causes. These disclosure dimensions appear in 92 and 87 percent of the reports, respectively. Disclosures concerning the fit between a firm’s assets and its philanthropic engagements are found in 70 percent of reports, and the rationale for choosing a particular cause and its fit with the corporate mission and/or assets are covered by less than half of firms. The mean scores for causes ($M_{\text{description of causes}} = 1.96$) and projects ($M_{\text{description of projects}} = 2.11$) are substantially higher than for the rationale for choosing a particular issue ($M_{\text{rationale for choosing}} = 1.08$), fit with corporate assets ($M_{\text{fit with assets}} = 1.21$) and fit with mission ($M_{\text{fit with mission}} = 0.77$).

The third dimension concerns corporate support. Our analysis shows that approximately seven of ten reports include data on the total volume of support and volume per project. Firms provide readers with information regarding contributions per cause (58 percent) and per country (38 percent) less frequently. However, when such information is revealed, its level of comprehensiveness is relatively high compared to other disclosures ($M_{\text{volume per cause}} = 2.42$; $M_{\text{volume per country}} = 2.15$).

We also find that a large percentage of reports contain information regarding types of support (79 percent) and volume per type of support (62 percent). Completeness of information regarding these indicators is moderate ($M_{\text{types of support}} = 1.95$; $M_{\text{volume per type}} = 2.09$). Substantially fewer companies disclose the reasons for the chosen type of contribution (15 percent) and/or explain the calculation methods used for in-kind support and employee volunteerism (13 percent). The comprehensiveness of these disclosures is also low, particularly regarding justification of the chosen type of contribution ($M_{\text{rationale for this type of support}} = 1.38$).

Additionally, non-global reporters do not report the calculation method or the criteria for selecting the nonprofit partner ($M_{\text{calculation}} = 0.27$ vs 0; $M_{\text{criteria}} = 0.27$ vs 0).

Regarding partners (i.e. the fourth dimension), our results demonstrate that the vast majority of companies reveal the names of the NGOs (89 percent). However, the selection criteria and information regarding the added value of the partner were only found in a few reports. Similarly, these descriptions are generally anecdotal: the average score for the selection criteria is 1.44; for added value, the score is only 1.2.

The last dimension of philanthropy reporting is impact. A total of 87 percent of the companies provide stakeholders with information regarding outputs. However, narrative information rather than quantitative information predominates. The mean score for outputs is 2.04, while outcome-related indicators score substantially lower ($M_{\text{quantitative}} = 1.29$; $M_{\text{qualitative}} = 1.48$). Although qualitative information should be accepted as a valid means of describing impact, these comments come from high-ranking authorities (frequently the nonprofit partner) rather than from beneficiaries. Therefore, they do not follow the best practices of participatory impact assessment approaches (Hallam, 1998).

In addition, differences are found among companies. A cluster analysis employing the K-means method was used to classify the companies into three groups. As the centroids show (Table III), differences between companies are due to the quality of their reporting. Subsequent ANOVA tests show no significant differences at the 95 percent level among the three groups in terms of the number of pages dedicated to CP reporting (p -value = 0.08). However, the results are significant at the 90 percent level. Lack of significance could be due to the limited sample size. Therefore, there is no conclusive evidence regarding whether more reporting results in better reporting.

The analysis suggests that except for companies in the third cluster (Table III), the quality of philanthropy disclosures is relatively low. We argue that stakeholders may perceive this deficit of transparency as deceptive. This perception may be aggravated by the use of the ten identified particular instances of symbolic communication of CP (Table IV). The limited quality of CP communication and the use of such symbolic practices may explain the skepticism of stakeholders and the belief that such reporting is symbolic reporting and CP is meaningless.

Regarding goals and targets, companies may blur the difference between business operations and CP, presenting their commercial practices as philanthropic endowments or good deeds. This practice makes it difficult for report readers to discern the difference between business (i.e. a service that was paid for) and philanthropy (i.e. a service that was donated).

When companies report causes, they fail to show that their beneficiaries have received stakeholder approval. At most, the companies mention that they are considered "keen by the communities." Occasionally, they claim to have a stakeholder committee. However, it is unclear whether the firms evaluate the CP plan. Frequently, companies use secondary data to reinforce the urgency and legitimacy of a cause as a substitute for stakeholder approval.

In the support dimension, we identified three reporting practices that can be perceived as symbolic. First, companies do not provide precise figures for their annual support. In contrast, they provide figures that are "artificially" large. The commonly found artifice is to provide accumulated donation figures, either from the past to the present day or from the present day to a set date in the future. A company may even disclose all donations since the firm's foundation. In addition, companies may not specify the amount donated to a project, or it may be unclear regarding what the corporate contributions to a particular project are. A second way of providing a misleading account of support occurs in relation to the calculation method. Companies do not explain the calculation method used to compute in-kind donation or employee hours, which may result in an artificially enlarged figure. These misleading disclosure practices are more frequently found in discussions of

	Poor reporters (20 companies)	Cluster Average reporters (22 companies)	Best reporters (11 companies)
Economic goals	0.20	0.36	0.27
Social goals	0.50	0.91	0.91
Target specific	0.00	0.64	2.09
Who is in charge	0.15	0.68	1.00
How is the strategy crafted	0.25	0.50	0.73
Description of causes	0.95	2.41	2.82
Description of projects	1.45	2.27	3.00
Rationale for choosing	0.40	1.05	2.00
Fit with assets	0.65	1.23	2.18
Fit with mission	0.20	0.95	1.45
Total volume	0.65	0.73	1.00
Volume per cause	0.25	2.23	2.36
Volume per project	1.10	1.45	2.55
Volume per country	0.55	0.82	1.27
Stability of funding	0.40	1.41	2.09
Volume per contribution	0.85	0.91	2.91
Type of contribution	0.95	1.36	3.00
Calculation method	0.10	0.45	0.09
Rationale	0.05	0.05	0.82
Name of partners	1.80	1.55	2.55
Criteria for selecting	0.00	0.36	0.45
Value added	0.05	0.14	0.73
Output	1.30	1.73	2.73
Outcome qualitative	0.50	0.68	1.09
Outcome quantitative	0.45	0.59	0.82
	MetLife, Pfizer, Philip Morris International, Management S.A., Prudential Insurance Company, Sprint, Nextel Corporation, PepsiCo, Inc., Morgan Stanley, UTC Best Buy Co., Inc., Cardinal Health, Inc., Chevron Corporation, Cisco Systems, ConocoPhillips, DuPont, Fannie Mae, Goldman Sachs, Hewlett-Packard Company, Humana Inc., Kraft Foods Inc., McKesson Corporation	Abbott Laboratories, Aetna New York, American ExpresLife, AT&T Inc., Insurance Company, Bank of America, The Dow Chemical Company, UnitedHealth Group, Caterpillar Inc., Citigroup, Coca-Cola Companie, s CVS Caremark Corporation, Dell Inc., Exxon Mobil Corporation, FedEx Corporation, Hess Corporation, IBM Corporation, Intel, John Deere, Johnson & Johnson, Johnson Controls, Inc., Lockheed Martin Corporation	Merck & Co, Inc., Microsoft Corporation, Target, The Allstate Corporation, The Boeing Company, The Procter & Gamble Company, The Walt Disney Company, Verizon Communications, JPMorganChase, Wal-Mart, Wells Fargo & Company

Table III.
Classification
of reporters

employee volunteerism. Third, we find that companies present charitable contributions raised during cause-related marketing campaigns as their own philanthropic donations. As previously mentioned, CRM is not philanthropy because CRM involves an exchange of value, not a one-way transfer of wealth.

When companies report on partners, they do not explain support for employee volunteerism. Thus, they may be “appropriating” the good deeds of their employees, who would perform these deeds regardless of the company that employs them. Similarly, we

Dimension	Misleading practice	Example
Goals	1. Presenting commercial activities or commercial mission as philanthropic	We seek to revitalize communities in the USA. By creating and preserving affordable housing and building communities to expand economic development and job-creation programs (Morgan Stanley)
Causes	2. Giving secondary data to justify the urgency of the cause au lieu of stakeholders' approval	"At Caterpillar, we always ask ourselves, 'What do our customers need? What does the world need?' WRI asks those same questions about the communities it serves, and truly delivers some amazing results," said Doug Oberhelman, Caterpillar chairman and CEO and member of WRI board of directors (Caterpillar)
Support	3. Providing artificially engrossed figures of support by reporting volume of donations from a point the past to the present, and omitting annual donations	Since 2000, Verizon and the Verizon Foundation have provided more than \$65 million in grants to domestic-violence prevention organizations and shelters. (Verizon)
	4. Not explaining the calculation method for employee volunteerism and in-kind support which may result in an artificially engrossed figure	A Billion + Change is a national campaign to mobilize skills-based service for local communities. We pledged to contribute \$2 million in volunteer hours by mid-2013. Because of our employees' enthusiastic response, the pledge was doubled to \$4 million. (UnitedHealth Group)
Partners	6. Presenting cause-related marketing (two-way transfer of wealth) as corporate philanthropy (one-way transfer of wealth)	As part of a global commitment to healthy baby development, Pampers provides assistance to new mothers and babies in sub-Saharan Africa through a variety of programs. For instance, the brand's "One Pack = One Vaccine" partnership with UNICEF has been providing vaccines against Maternal and Newborn (Neonatal) Tetanus (MNT) for more than five years. (Procter & Gamble)
	5. Appropriation of employee's good deeds	In 2011 alone, Target team members donated more than 475,000 volunteer hours to community projects across the country and inspired others to serve as well. (Target)
Impact	7. Presenting as their own contribution the funds donated by the corporate foundation, without specifying whether or not the foundation receives funds from other entities	In its 35th year of operations last year, the MetLife Foundation gave \$42 million to a range of nonprofit organizations [...]. Since 1999, MetLife Foundation has awarded more than \$6.5 million to support nearly 3,000 employee volunteer initiatives. (MetLife)
	8. Impact assessment relies on ambiguous declarations from nonprofit partners rather than from beneficiaries	"It was an excellent opportunity for me to build my network with other nonprofit organizations. Now, it's up to me to leverage this asset in the future and keep these relationships strong going forward." — Participant in Japan Leadership Academy
	9. Attribution of a result, when it is not clear whether the company was the sole contributor or whether its products were donated or not	We continue to support the Laachon Mayapo Ethno-Educational Center, which provides education to more than 1,200 children of the region (Chevron Corporation)
	10. Present as certain, what are likely, but not definite, future effects	In 2000, FedEx teamed up with Safe Kids Worldwide to create the Safe Kids Walk This Way program, which is designed to create safer, more walkable communities, benefiting the most vulnerable road users. (FedEx)

Table IV.
Misleading practice types and examples

observed symbolic practices when the CP plan is implemented via corporate foundations. Certain companies presented in their CSR report the amounts of donations by their foundations. However, they failed to clarify whether the foundation is entirely supported by corporate funds or whether it has obtained donations or grants from other agents.

Unless companies clarify where a foundation obtains its funds, donations from corporate foundations could mislead the public.

We also found several examples of misleading reporting in the impacts dimension. The most prevalent practice is when commentators provide an ambiguous description of a firm's impact, as in the following example:

Bank of America continues to be one of United Way's top U.S. corporate partners and is helping to **lead innovative individual and family financial stability efforts** throughout the U.S. The bank and its employees invest **considerable time and resources in communities to ensure that more people are provided opportunities they need to lead successful lives.** (Brian Gallagher, United Way Worldwide president and CEO (Bank of America) (emphasis added)).

In the quotation, sentences that include ambiguous descriptions of impact are highlighted. The firm does not explain what "innovative" means, how "financial stability" has improved, or how many individuals are provided with what types of opportunity.

Another type of symbolic practice occurs when overall results are attributed to a company although the company may have only contributed in a small way to the results or there may be another explanation for them. This practice may occur when a community benefits from a company's products. However, it is unclear whether the community purchased the relevant products or they were donated. If the former, the outcome should not be understood as a philanthropic impact. Finally, companies present as certain future effects that are likely but cannot be considered inevitable without offering proof of a given program's outcomes.

Discussion

Studies on reporting quality are limited (Hahn and Kühnen, 2013). To our knowledge, this study is the first to focus on quality CP reporting. The analysis of the CSR reports of the largest donors affords three main conclusions. First, CP disclosures are descriptive and primarily focused on the "what" (e.g. descriptions of projects, monetary donations and supported causes). However, they fail to provide an explicit account of how a strategy was created, why the company made such decisions and "what for" (i.e. the impact of the project). According to past research on the effects of CP, descriptive accounts of CP reinforce perceptions of meaningless or symbolism, which does not help reduce stakeholder scepticism. Second, there are wide differences among reporters. On average, the best reporters achieved double the score of the low-scoring reporters. Third, instances of symbolic practices were found in which firms try to present their CP deeds in a better light, thus supporting those who argue that non-financial reports are symbolic and close to a form of advertising because they only provide a self-laudatory view of the firm (Knebel and Seele, 2015) that could even be based on false pretenses, thus misleading stakeholders.

Based on these results, one could conclude that CP is symbolic rather than substantive. CP disclosures in CSR reports could be viewed as an exercise in impression management (Hahn and Kühnen, 2013). Since such behavior is received with scepticism by stakeholders and perceived as deceptive, a company's corporate reputation could be jeopardized.

However, it is worth noting that we cannot discern whether companies engage in practices that comply with the recommendations found in the literature but do not disclose these practices or whether companies lack all such practices. The literature on reporting has not established conclusive evidence regarding the relationship between performance and reporting (Hahn and Kühnen, 2013). Our study does not provide insight into this question. That is, although all of the studied companies qualify as large donors, their donation reporting varies substantially.

This variation in CP reporting is a consequence of the limited institutionalization of CP reporting compared to CSR reporting. Previous research has found that CP strategy is

highly institutionalized. Isomorphism of causes, donation volume and donation type was observed among companies (Galaskiewicz and Burt, 1991; Marquis *et al.*, 2007). However, isomorphism among these elements of the CP strategy may not necessarily result in isomorphism in CP reporting. Following Schultz and Wehmeier (2010), we contend that because a common standard for CP reporting is lacking, companies individually define what to report. This phenomenon would explain the large differences in disclosures among reporters. Thus, we posit that the limited institutionalization of CP may be one cause of the poor quality of such reporting.

Another interpretation of the results is that companies may not produce reports for stakeholders but for financial investors. Therefore, the information provided regarding CP is more than sufficient. If companies perceive that there are no “information brokers” (Brown *et al.*, 2009) for CP information, they may exert less effort to improve the quality of such information.

A belief that CP is discretionary could underlie the practice of providing descriptive, anecdotal information (Carroll, 1998). There is no obligation to engage in philanthropy, and companies could believe that CP represents a gift. If CP is regarded in this way, it is no wonder that CP escapes accountability. Accountability is required because of the possibility of negative impacts (Brown *et al.*, 2009; Hahn and Kühnen, 2013). CP is viewed as essentially positive. That is, descriptive informational reporting of donations may provide sufficient legitimization without the details of the process requiring description (Hahn and Kühnen, 2013). Therefore, companies may believe that there is little to account for and thus exempt CP from the principles, processes and precision typical of financial indicators (Etzion and Ferrero, 2010) used when reporting other CSR dimensions.

However, authors have challenged the idea that CP is essentially a positive deed. Valor (2007) argued against the idea of CP as a gift by demonstrating that the opportunity cost of any dollar invested in the community is subtracted from other potential recipients that could benefit more. Muthuri (2008) also highlights the negative side of CP in terms of the perpetuation of asymmetrical relations and the creation of win-loss situations due to unbalanced power relations between firms and communities. In addition, he alerts us to the fact that business dominance of decision-making regarding CP (corroborated by the findings of this study) may jeopardize the degree of moral capital that may provide insurance-like value.

Finally, the low quality of CP reporting could be linked to stakeholder suspicion toward CP and other dimensions of CSR (i.e. the so-called CSR communication paradox; see Knebel and Seele (2015). As mentioned in the Introduction, even firms with significant CSR outcomes could be accused of exploiting social causes (Morsing *et al.*, 2008). Given this type of risk, firms might prefer to only provide readers of CSR reports with anecdotal information on CP rather than to describe their philanthropic projects in detail and risk critical media attention.

Conclusions

In this paper, we present a theoretical model of quality CP reporting that offers several contributions to the literature. First, our framework addresses an important gap in non-financial reporting research. While there is a rich literature on non-financial reporting in general (for a review, see Fifka, 2013) and on specific spheres of CSR reporting, such as environmental disclosures (Rodrigue *et al.*, 2015), little attention has been paid to CP reporting. To our knowledge, the theoretical framework developed in this paper is the first scientific conceptualization of the quality of CP disclosure. In this framework, we distinguish five dimensions that address key elements of disclosure quality, such as goals, causes, support, partners and impacts, and justify why they should be reported. Thus, we offer a CP accounting model.

Second, our model of quality CP reporting can help scholars better understand the relation between CP and corporate performance. Past studies on the effects of CP made the implicit assumption that philanthropic efforts are typically favorably perceived by stakeholders (e.g. Patten, 2008). However, several authors note several negative aspects of CP, such as the opportunity costs of donations (Valor, 2007), win-loss situations and asymmetries in relations between firms and communities (Muthuri, 2008). The quality framework developed in this study may enable scholars to differentiate symbolic from substantive CP and in this way advance the debate on CP effects.

Another contribution of this paper stems from the empirical analysis in which we tested the framework using a sample of large corporate donors. Our empirical results reveal wide differences between companies in their CP reporting. We have provided a list of ten symbolic practices in CP reporting that could increase stakeholder mistrust of CP and therefore jeopardize the reputation of the firm. In addition, our results indicate that CP institutionalization has not been accompanied by an institutionalization of CP reporting, as shown by the divergent practices among large donors and the evident lack of a common standard.

Our paper has practical implications in that it offers several recommendations on how to increase the quality of CP disclosures. Following other scholars who claim that the quality of non-financial reporting positively affects corporate reputation (Hillenbrand *et al.*, 2012; Pérez, 2015), we posit that transparency in CP reporting would help firms benefit from their genuine philanthropic involvement by enhancing the positive effects of CP, including financial (Lev *et al.*, 2010; Wang and Qian, 2011; Wang *et al.*, 2008) and non-financial performance (Brammer and Millington, 2005). Higher transparency of CP disclosures could also help firms avoid risks associated with symbolic reporting (Morsing *et al.*, 2008).

Despite its theoretical and managerial contributions, this paper is not free from limitations. First, our quality reporting framework is purely conceptual. Drawing from the relevant literature on the corporate communication of CP, we have proposed a set of indicators that can be used to increase the quality of CP disclosures. However, this theoretical proposition must be tested against stakeholder expectations. Thus, future researchers are encouraged to complement and support our proposition. Such studies may adopt the qualitative methods used to create GRI (Brown *et al.*, 2009). The results of stakeholder interviews and focus groups will help refine the quality framework proposed in this paper.

In this study, we also attempted to assess the quality of CP disclosures. However, low levels of reliability indices suggest that our empirical findings may be biased by subjectivity. To assess disclosure quality, we used the Sustainability and UNEP (2000) scale. Although this tool has been widely used in research on social and environmental reporting, it leaves space for interpretation by the coder (Morhardt *et al.*, 2002). Future studies can decrease assessment subjectivity by applying a scale with substantially more explicit rules for scoring (see Beck *et al.*, 2010) or a nominal rating scale (0-1) that eliminates the need for interpretation (Hammond and Miles, 2004).

Another limitation is the limited generalizability of results. In this paper, our priority was to obtain an initial insight into the quality of philanthropic disclosures of the largest global donors for whom CP is a strategic tool. Therefore, the sample only included a limited number of reports primarily released by American corporations. Given that CP is influenced by institutional pressures (Aguilera *et al.*, 2006), we expect that the quality of CP reporting may differ across countries. Thus, we suggest investigating CP disclosures in a multinational comparative study.

The limited number of reports examined in this study could make certain of our results inconclusive. More specifically, our evidence is inconclusive regarding whether more reporting will result in better reporting (significant only at the 90 percent; p -value = 0.08).

This lack of significance could be due to the small sample size. Thus, we urge future studies to replicate our findings using a larger number of reports, including all the companies on the Fortune 500 list that produce CSR reports. Given that CSR communication is not limited to formal reporting (Tench and Jones, 2015), future research may also extend the scope of analysis to social media and web pages.

Another promising direction for future studies would be to address the determinants of the quality of CP disclosure. Our results indicate a substantial variability of disclosure quality across reports. As we argue in Discussion, one reason for this variability could be the lack of formal regulations and guidance on how to report CP. However, there probably are other factors that affect the quality of CP reporting. To find such factors, further research is required. For example, it would be interesting to compare what the best CP reporters have in common and what differentiates them from the worst reporters.

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Appendix. List of companies

Abbott Laboratories

Aetna

American Express

AT&T Inc.
Bank of America
Best Buy Co., Inc.
Cardinal Health, Inc.
Caterpillar Inc.
Chevron Corporation
Cisco Systems
Citigroup
Coca-Cola Companies
ConocoPhillips
CVS Caremark Corporation
Dell Inc.
DuPont
Exxon Mobil Corporation
Fannie Mae
FedEx Corporation
Goldman Sachs
Hess Corporation
Hewlett-Packard Company
Humana Inc.
IBM Corporation
Intel
John Deere
Johnson & Johnson
Johnson Controls, Inc.
JPMorganChase
Kraft Foods Inc.
Lockheed Martin Corporation
McKesson Corporation
Merck & Co., Inc.
MetLife
Microsoft Corporation
Morgan Stanley
New York Life Insurance Company
PepsiCo, Inc.
Pfizer

Philip Morris International Management S.A.

CCIJ
22,4

Prudential Insurance Company
Sprint Nextel Corporation
Target
The Allstate Corporation
The Boeing Company
The Dow Chemical Company
The Procter & Gamble Company
The Walt Disney Company
UnitedHealth Group
UTC
Verizon Communications
Wal-Mart
Wells Fargo & Company

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