The Ethics of Corporate Social Responsibility and Philanthropic Ventures

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ABSTRACT. Andrew Carnegie popularized the principles of charity and stewardship in 1899 when he published *The Gospel of Wealth*. At the time, Carnegie's ideas were the exception rather than the rule. He believed that businesses and wealthy individuals were the caretakers or stewards of their property holding it in trust for the benefit of society as a whole.

One of the most visible ways a business can help a community is through corporate philanthropy. While the courts have ruled that charitable contributions fall within the legal and fiduciary powers of the corporation's policymakers, some critics have argued that corporate managers have no right to give away company money that does not belong to them and any income earned by the company should be either reinvested in the company or distributed to the stockholders.

He who dies rich, dies thus disgraced
Andrew Carnegie

Before Social Security, Medicare, and the United Way were helping the needy members of society, some business people reached out to their communities to provide assistance. In doing so they were attempting to counteract the critics who claimed that business leaders were uncaring and interested only in the bottom line. While this paper will look at what corporations have done in the past and what some are doing in the present, there is a need for more study of current practices to determine how social responsibility and philanthropic ventures can best meet the needs of the various constituencies.

In the early 1900's corporations were criticized for being too big, too powerful, and guilty of antisocial and anticompetitive practices. Antitrust laws, banking regulations, and consumer-protection laws were written to curb corporate power.

To improve their public image many business leaders gave donations to charitable institutions. Andrew Carnegie founded the Carnegie Corporation of New York to fund education, the Carnegie Endowment for International Peace, the Carnegie Foundation for the Endowment of Teaching, and the Carnegie Institution of Washington, which conducts scientific research. Over 2 500 libraries were built with $56 million of Carnegie's charitable funds. When he retired in 1899, Carnegie published *The Gospel of Wealth*, which outlined how large personal fortunes should be used to better society. At the time his ideas were the exception rather than the rule. He believed that businesses and wealthy individuals were the caretakers or stewards of their property, holding it in trust for the benefit of society as a whole. In *The Gospel of Wealth*, he stated:

> This, then, is held to be the duty of a man of wealth. First, to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so, to

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> consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community – the man of wealth thus becoming the sole agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer – doing for them better than they would or could do for themselves. (657)

Others, like Henry Ford, founder of the Ford Foundation, created paternalistic programs to support the recreational and health needs of their employees. In 1913 J. D. Rockefeller donated $183 million to start the Rockefeller Foundation. "The point to emphasize is that these business leaders believed that business had a responsibility to society that went beyond or worked in parallel with their efforts to make profits." (Post 41)

With the creation of the Community Chest in the 1920's, the forerunner of today's United Way, charitable contributions moved from the individual philanthropist's contributions to charity to corporation donations. According to Post, Frederick et. al., charitable giving is not the only form that corporation social responsibility takes. It also can be found in the stewardship principle, when corporate managers see themselves as stewards or trustees who act in the general public's interest and "recognize that business and society are intertwined and interdependent." (43) Business executives changed from contributing to charity or giving aid to the needy to the concept of stewardship, or acting as a public trustee and considering all corporation stakeholders when making business decisions.

In 1997 Ted Turner, founder of CNN, made one of the largest philanthropic donations to a specific cause when he donated $1 billion to the United Nations' Children's Fund. He then challenged wealthy business people to follow his lead to promote human welfare and goodwill. On September 16, 1999 Bill Gates created the $1 billion "Gates Millennium Scholarship" designed to create college scholarships for black, Hispanic and American Indian students.

In other words, a philanthropist believes he has a moral duty towards helping the less-fortunate in a society through charitable distribution of earnings while the steward (trustee) believes his primary mission involves an obligation to earn a profit.

Corporate social responsibility

> A business that makes nothing but money is a poor kind of business.
>
> Henry Ford

Davis and Blomstrom define "corporate social responsibility" as the obligation of the internal corporate decision makers to "take action which protects and improves the welfare of society as a whole along with their own interests." (6) While corporate social responsibility does not negate earning a profit, it does require corporations to balance the benefits to be gained against the cost of achieving those benefits. "Corporate social responsibility means that a corporation should be held accountable for any of its actions that affect people, their communities, and their environment." (Post 37)

A. B. Carroll's Pyramid of Corporate Social Responsibility demonstrates the idea of conciliating the drive for profit with the public welfare. At the foundation of the pyramid are economic responsibilities. The organization must be profitable to survive. At the second level are the legal responsibilities of those involved in the organization. The corporation must obey the law, which is the codification of what is right and wrong. At the third level, one finds the ethical responsibilities, which represent the obligations of each member of the corporation to do what is fair, just, and right. At the top of the pyramid are the philanthropic responsibilities that make the corporation a good corporate citizen, and which can only be reached after economic, legal, and ethical responsibilities have been achieved. (39–48)

J. Davidson in "The Case for Corporate Cooperation in Community Affairs" defines social responsibility as "an obligation that private enterprise owes to society in general, and subgroups of that society in particular." (294) The four categories of social responsibility include:

- Maintaining community relations through charitable activities and financial support;
- Contributing to humanistic efforts such as equality in the workplace;
- Expressing environmental obligations that affect air and water; and
- Giving a priority to consumers with fair pricing and safety issues.

Charitable giving by U.S. corporations increased by 7.5 percent to $7.4 billion in 1995, indicating that companies were getting more serious about their social responsibility. According to Keith E. Ferrazzi, a national director at Deloitte & Touche Consulting Group in Chicago, companies have increased their philanthropic donations because they:

- have the need to polish the company image – which may have been tarnished by downsizing;
- feel the need to help fill the gap created by cutbacks in federal and state aid to nonprofit groups;
- sense that philanthropy is an important corporate responsibility. (Miller 21)

Many companies are increasing their noncash contributions. For example, in 1995, Mentor Graphics Corp., a software manufacturer, was identified as the nation's top corporate giver by *Corporation Giving Watch*, a publication serving nonprofit organizations. All but $200 000 of Mentor's $100.2 million in contributions in 1994 were in the form of computer software donated to colleges and universities. In 1995, AT&T announced it would provide free Internet access and voice-messaging service to 100 000 public and private schools during the next five years. (22)

Between 1995 and 1998 Microsoft donated more than $103 million in software, licenses and grants to educational institutions. Critics contend Microsoft's donations benefit Microsoft by allowing the company to get its foot in the door to market more packaged Microsoft products. Other corporations such as Oracle, Apply, and Intel also participate in college give-aways. (Guernsey. A28)

While the courts have ruled that charitable contributions fall within the legal and fiduciary powers of the corporation's policymakers, some critics have argued that corporate managers have no right to give away company money that does not belong to them and any income earned by the company should be either reinvested in the company or distributed to the stockholders. Milton Friedman, a strong critic of social responsibility, states that "corporate officials are in no position to determine the relative urgency of social problems or the amount of organizational resources that should be committed to a given problem." (133) He contends that businesses should produce goods and services efficiently and leave the solution of social problems to concerned individuals and government agencies. Friedman's main argument is that corporate executives, when acting in their official capacity, and not as private persons, are agents of the corporation's stockholders and as such have an obligation to make decisions in the interest of the stockholders.

In 1953 the New Jersey Supreme Court (A. P. Smith Mfg. Co. v. Barlow) set aside stockholder complaints and commended corporations for their contributions to the general social and economic welfare. In this case a New Jersey fire hydrant manufacturing corporation had decided to donate $1 500 to Princeton University. Several stockholders objected to this dissipation of their assets and sued. The President of Princeton University argued that a corporation had a right to be "socially responsible." It was also noted that "closer to the bottom line, such contributions benefited the corporation indirectly by improving public relations and gaining favorable publicity." (Morris 3)

In 1994, when Albert Dunlap was the head of Scott Paper Co., he decided to end the company's charitable giving program. He believed that the company had an obligation to its shareholders rather than to donations. (*Industry Week* 16) Where should the line be drawn between obligations to shareholders and society?

Contributions – Corporate

The Random House College Dictionary defines "philanthropy" as donations of money, property, or work to needy persons or to socially useful purposes. Does a company contribute to its community because it is ethical and morally correct or because of the positive tax-implications and publicity received by having its name in the public eye? Recognizing that today's students will become tomorrow's employees as well as consumers, many companies donate money and equipment to schools to help improve the quality of education as well as stimulate name recognition and brand-loyalty.

According to a 1998 survey by Gutterbock and Fries of the Center for Survey Research of the University of Virginia there are approximately 1.2 million non-profit organizations in United States, including about 600 000 charities and religious institutions and more than 35 000 foundations. (AARP Survey 1) Business corporations are the source of financial contributions for corporate foundations and corporate giving programs. In most cases corporate foundation grants are made from the profits of a corporation and not from investment income. By law, corporations are allowed to receive a tax deduction for giving up to 10 percent of their pre-tax earnings. (Minnesota Corporate 1).

Contributions serve many purposes, including but not limited to:

- investing in a firm's brand identity;
- instilling loyalty to a company and its products;
- enhancing the reputation of a company as a good citizen.

Reynold Levy in his book *Give and Take* cites cases to illustrate how corporate contributions help a company. For example:

> Since 1946, Dayton-Hudson Corporation has donated 5 percent of its pre-tax net income to charity, almost four times the amount of the average company that contributes cash to non-profit. Such philanthropic activity advances sales and marketing objectives, raises employee morale, and its good works become more widely known because its employees are proud believers of the concept. (4)

> Levi-Strauss Company to cushion the blow of extensive factory closings and employee layoffs provided negotiated access to nonprofit sources of job placement, social service counseling, and child care. (5)

> IBM Corporation is strongly identified with philanthropic efforts to advance public school reform and the use of technology as a learning tool. These efforts provide IBM brand recognition and "create a receptive environment for the sale of its products and services. These school children will become an important customer base to IBM in the future." (5)

In 1990 H. J. Heinz Company adopted a "dolphin-safe" policy at the insistence of environmental and consumer groups. The company was forced to consider the need to balance its environmental social responsibility with its economic goals. Mobay Corporation, a producer of thinyl chloride (a chemical used to produce nerve gas), was faced with the ethical dilemma to either follow the government's order for production of the chemical or to follow the company's policy and its president's moral convictions against production of nerve gas. (Post. 36)

Approximately a half-billion dollars a year are donated to nonprofit organizations for allowing their good names to be marketed on everything from nicotine patches to pain relievers. Pravachol, a cholesterol-lowering drug made by Bristol-Myers Squibb Company, featured the name and logo of the American Heart Association, which was paid $600 00 for its cooperation. Electrolux L.I.C. formed an alliance with the Asthma and Allergy Foundation as part of its campaign to convince consumers that a cleaner home is a healthier home. In an advertising campaign in 1997, SmithKline Beecham, P.I.C. makers of Nicoderm and the American Cancer Society were described as "partners in helping you quit". The Cancer Society, which claims it endorses no commercial products, received approximately $1 million for the use of its name and logo. (Abelson, A1)

Sixteen attorneys in the tri-state area (New York, New Jersey and Connecticut) want to end marketing campaigns that leave a misleading impression of a charity's involvement with a product. To do this, they have proposed the following guidelines:

1. The nonprofit organization and the company are prohibited from false advertising, unfair or deceptive trade practices and consumer fraud.
2. The company must say that the organization has not endorsed its product if the group has not.
3. The company cannot claim that the product is better than competitor's products unless it is true and the nonprofit agrees it is true.
4. Advertisements must "clearly and conspicuously" disclose if the company has paid for the use of the nonprofit's name and logo.
5. Advertisements cannot mislead the public about how buying the company's product will affect charitable contributions.
6. Advertising partnerships between a company and a nonprofit should avoid exclusive product sponsorship. If there is an exclusive relationship, the advertisement should say so. (A21)

In December of 1998, SmithKline Beecham changed its advertising campaign for NicoDerm to include the statement, "SB makes an annual grant to the ACS for cancer research and education for the use of their seal." (A22)

The problem with these advertisements is that many consumers believe the use of a logo is considered an endorsement by the nonprofit organization. If an organization is not endorsing a product, why are they allowing their name to be used on that product? The American Cancer Society and the American Heart Association allow their names and logos to be used in advertisements for drugs or medical devices. Since these groups are seen by the public as experts in their field, it is feared that the public will treat these endorsements as support of specific products.

Mildred Cho, a researcher at the Stanford Center for Biomedical Ethics, believes that charities should ask themselves whether there really is a difference between allowing their names to be used in marketing and an all-out endorsement. "If the goal is to educate generally about smoking cessation or nutrition, you don't need to mention a specific product." (A22)

In 1991 because of the Boy Scouts of America's (BSA) refusal to admit gays as members or as troop leaders, the San Francisco United Way withdrew a contribution of $9 000, and the city's board of education banned BSA activities on school property during school hours. In 1992 Levi Strauss & Company decided to end its annual financial support ($40 000–$80 000) to the BSA because the organization's exclusion of homosexuals was "at odds" with the company's "core values." The company stated that it "could not fund any organization that discriminates on the basis of sexual orientation and religious beliefs." (Hochswender A12) Between 1990 and 1991 U.S. West gave $300 000 to the Boy Scouts of America in Colorado. In response to employees' questions regarding the BSA's admitting policies, which the company found to be "particularly troubling . . . in light of U.S. West's values around pluralism and diversity," the board of directors of U.S. West recommended that the foundation "review its giving practices, working to align its funding decisions with its own policies and with U.S. West's values." (Bettelheim. 1A) The U.S. West foundation decided to continue to support BSA and released the following statement:

> There is no litmus test we can apply to every organization we fund on every issue. We do not have to agree with everything an organization espouses in order to support the good it does overall. (1A)

Sue Anderson, director of the Gay and Lesbian Community Center in Denver, noted:

> It is unfortunate they [U.S. West] claim to back gay and lesbian employees, but at the same time support an organization that actively works against them. It really sets a confusing standard. (1A)

In its 50 years (1946–1996) of donating 5 percent of its pre-tax profit to charitable organizations Dayton-Hudson's corporate donations have totaled over $350 million. The company is considered to be a leader in corporate philanthropy. In 1997 Dayton Hudson Corporation/Dayton Hudson Foundation was the largest contributor in Minnesota, donating $42 718 476 in grants to nonprofit organizations. (*Minnesota Corporate* 2)

In 1990, in addition to other charitable contributions the charitable foundation of the Dayton-Hudson Corporation gave $18 000 to Planned Parenthood. When antiabortionists raised their objections with the Dayton-Hudson foundation, the foundation board, after having contributed to Planned Parenthood for twenty-two years, decided to halt its contributions. Prochoice supporters boycotted Dayton-Hudson stores, wrote letters to the newspapers, closed charge accounts and picketed. Dayton-Hudson decided to resume its funding of Planning Parenthood even though antiabortion groups announced plans to boycott the company's stores.

Corporate leaders justify their donations saying the funds are not being used for abortions, but rather for Planned Parenthood's ongoing "educational" programs. While this is generally true, donations are still seen as being in support of a group that does abortions, even if the corporation is not funding them directly. In addition to Dayton Hudson, corporations that provide financial support of Planned Parenthood include: Espirit, General Mills, Hewlett-Packard, Levi Strauss and Tandy/Radio Shack.

J. C. Penny Company, American Telephone and Telegraph, and Hi-Bred International are some of the other companies that stopped their contributions to Planned Parenthood after being criticized by antiabortion groups. Faye Wattleton, president of Planned Parenthood, referred to the AT&T decision as "corporate cowardice" and to the Christian Action Council specifically as a "fringe group" that has "allowed fanatics to dictate corporate policy" (*New York Times*, April 5, 1990). Full-page ads purchased by Planned Parenthood and appearing in the *New York Times* and *Los Angeles Times* claimed that AT&T "caved in to a close-minded minority."

Contributions – Foundations

A foundation's giving differs from a corporation's in that it is funded in a different manner and has a different philosophy. Under federal regulations, foundations must give away 5 percent of its assets a year.

The United Way, a national organization that funnels funding to charities through a payroll-deduction system, has been in existence since the 1920's. The United Way has been criticized for many of its activities including:

> Being coercive – Bonuses are offered for companies achieving 100 percent employee participation. Betty Beene, president of United Ways of Tristate (New York, New Jersey, and Connecticut) has discontinued the bonuses. She believes that "If participation is 100 percent, it means someone has been coerced." (Garland 39)
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> Excessive salary and perks to executives – Between 1970 and 1992, William Aramony, president of United Way was paid $463 000 per year flew first class on commercial airlines, spent $20 000 in one year for limousines, and used the Concorde for trans-Atlantic flights. (39) In September of 1994, Aramony and two other United Way officers, including the chief financial officer, were indicted by a federal grand jury for conspiracy, mail fraud, and tax fraud. On April 3, 1995 Aramony was found guilty of twenty-five counts of fraud, conspiracy, and money laundering. (Jennings 282)

The United Way still has not recovered. In 1998, donations fell 11 percent while overall charitable giving was up 9 percent. (282)

Currently the Alcoa Foundation receives no funding from the Aluminum Co. of America. It generates its own income through interest and investments. "Since other foundations generally use corporate funds, their giving is more aligned to their corporate bottom lines and corporate strategy than ours," noted F. Worth Hobbs, the foundation's president. "We put greater emphasis on service to our communities." (Miller 24)

On September 16, 1999 the Bill and Melinda Gates Foundation, financed with two large donations of Microsoft stock and having about $17 billion in assets, announced the formation of the "Gates Millennium Scholarship" which is open to all racial minorities and is aimed especially at blacks, Hispanics, and American Indians. It will help a minimum of 1 000 high school students a year, by providing enough money to cover tuition, room, board, and other expenses for college and graduate degrees pursued. (Verhovek. A1) The foundation has also committed $200 million for work in developing and distributing vaccines for malaria, AIDS, and other diseases. They have also pledged a similar amount of programs that will bring computers and Internet hookups to schools and libraries in poor areas in North America. Those who have criticized Mr. Gates believe the contributions were part of a public relations campaign by Microsoft, whose image has been battered by the massive antitrust court battles now underway in Washington, D.C. (A22)

Strategic philanthropy

> Philanthropy is almost the only virtue which is sufficiently appreciated by mankind.
>
> Henry David Thoreau

Beginning in the 1980's many CEO's began linking their corporations to social causes strategically viewing these arrangements as a way to differentiate their products to consumers. The corporate movement involving charitable giving and reflecting the highly competitive environment of the 1990s has been termed "strategic philanthropy." It involves corporate giving that serves dual purposes: contributing needed funds to charitable causes while simultaneously benefiting the firm's financial bottom line and enhancing business political legitimacy. (Hamphill 57) "Strategic giving" or "strategic philanthropy" has become a generally accepted Solomon-like solution to a problem that allows a corporation to satisfy altruistic impulses to contribute to charitable causes while serving the bottom line. While pure philanthropy is concerned with assistance to education, arts and culture, health and social services, civic and community projects; business-sponsored philanthropy benefits the corporation through cause-related marketing activities as public relations, good will, and political access. Strategic philanthropy combines pure philanthropy and business sponsorship with giving programs that are directly or indirectly linked to business goals and objectives. (Post. 484)

Alan Sloan in his article "Can Need Trump Greed" states that "a corporate image is bolstered through the firm's identification with contributions aimed at the local communities in which it operates and its employees reside." An example of this policy is that of the Target stores. Stickers are placed on products informing consumers that 5 percent of its "pre-taxed annual profits" goes directly back into the Target stores communities across the nation. (34)

A specific example of the growing importance of strategic philanthropy to market strategy is "cause related" marketing, which is a way to link business goals to charitable donations.

Cause-related marketing

Exxon's "Save The Tiger" Weekend was held on September 18 and 19, 1999, at The Bronx Zoo, in New York City. Though the event was sponsored by the Wildlife Conservation Society, National Fish and Wildlife Foundation, and Exxon, it was the Exxon name that appeared in the publicity for the event designed to celebrate the Zoo's Siberian tigers and to help save the last of Asia's wild tiger population. While such an event is a public relation writers dream, are we the American public paying indirectly for such corporate giving?

Cause-related marketing (CRM) was defined by Varadarajan and Menon as:

> the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-producing exchanges that satisfy organizational and individual objectives (60)

Cause-related marketing became big business in the 1980's and its popularity has increased in the 1990's. It involves a marketing and advertising campaign that promotes both the corporation and the cause or social issue. According to J. Mullen, "strategic charitable giving should be included in the public relations plan." One 1994 survey of 463 companies identified the most common charitable giving areas and found that monetary contributions are the most common methods of giving (95%); followed by in-kind (66%); and product donations (53%). (Mullen 45)

Many companies are attempting to fill the void created by government cutbacks by making contributions to nonprofit organizations. While companies realize they have a social responsibility to their community they must also counter the negative publicity caused by downsizing, layoffs, and relocations. Varadarajan and Meno caution that "firms walk a fine line between reaping increased sales, goodwill, and positive publicity and incurring negative publicity and charges of exploitation of causes." (69)

Cause-related marketing that involves linking a company's marketing strategy with that of a nonprofit organization or charity can be a highly effective. The theory behind this approach joins a product or company to a core customer value, deepening relationships and building strong bonds of trust. The concept was introduced in 1981 by American Express. It was the first corporation to use cause-related marketing nationally in a campaign linking credit card usage with a corresponding company contribution. In 1983, it contributed $1.7 million of the restoration of the Statue of Liberty.

In a 1995 study conducted by Cone/Roper more than 84 percent of consumers believed that cause-related merchandising creates a positive image that is associated with a cause they care about, and 54 percent said they would pay more for a product that supports a cause they endorse. (Naughton, 1) According to Mark Feldman, vice president of Cone Communications, a Boston-based marketing firm, "three-quarters of consumers say they'll switch brands to a company involved with a charitable cause, if price and quality are equal." (Lorge 72)

In a 1997 Cone/Roper Cause-Related Marketing Trends Report, more than half of the consumers surveyed wanted companies to get involved in improving the quality of life at the local level while only 21 percent of those surveyed questioned the motives of companies that aid good causes. Fifty-nine percent of respondents wanted to see more grass roots efforts, listing public education, the environment, and poverty as the most important causes. (Cebrzynski 38)

Many companies having participated in such ventures:

In July of 1995 Rubbermaid formed a "cause-related marketing partnership" with Habitat for Humanity. Rubbermaid assists a good cause by donating funds and products, conducting intensive marketing campaigns to build recognition and increase public support of the nonprofit agency.

StirCrazy Enterprises located in Chicago donates 10 percent of their customers' checks to Children's Memorial Hospital. Customers receive a $2 coupon to be used towards a meal. The company believes that it is a good strategic alliance, raising awareness for both the charity and the restaurant.

In Massachusetts, Starbucks raised money for a scholarship fund, collected books for a nursery school, and accepted donations to benefit mentally challenged athletes.

BMW of North America, Buick, Ford, and Avon donate money for breast cancer research. Sears, Roebuck and Co., has started a company-wide initiative to raise at least $1 million over the next five years for Gilda's Club (for support and education of cancer patients and their friends and families) with various promotions tied to sales of specific store items.

American Express card donates 3 cents to Share Our Strength, an anti-hunger organization, to a total of up to $5 million.

Liz Clairborne, Lady Foot Locker, and The Body Shop provide funds to combat domestic violence.

American Airlines allows its frequent-flier customers to donate miles to provide transportation for seriously ill children to receive treatment.

A nonprofit organization must be cautious when accepting donations based on a cause-related marketing approach. The nonprofit organization may become involved in a superficial campaign or find itself linked to a company whose business practices go against the values of the nonprofit organization. For example, in 1997 Gifts In Kind International was accused of compromising its mission of serving non-profits by catering to its corporate contributors. Plagued with financial, personnel, and management problems, this nonprofit organization distributed $245 million worth of products to charities in 1996, a 40 percent increase from the previous year. As reported by the *Chronicles of Philanthropy*, interviews with charities found serious complaints with failure to fill requests and misleading description of goods, leading to accusations that Gift In Kind was serving the company's desire to secure tax deductions rather than the needs of the charities' clients. (Moore 30)

Legislation

The law is reason free from passion
Aristotle: *Politics*, III, c.322 b.c.

On August 30, 1935 Congress began allowing corporations a tax deduction for charitable contributions. (Public Laws U.S. 1016) Since 1936, the federal government has encouraged corporate giving for educational, charitable, scientific, and religious purposes.

Reaganomics reduced government funding to non-profit organizations, thereby shifting the responsibility to corporations and foundations. In 1986 Congress passed the Tax Reform Act, designed to encourage greater financial investment by the private sector into social programs and issues. The current Internal Revenue Service rules permit corporations to deduct contributions from the company's before-tax income. In other words, a company with a before-tax income of $1 million might contribute up to $100 000 to nonprofit community organizations. There is nothing to prevent a corporation from giving more than 10 percent of its income for philanthropic purposes, but it would not be given a tax break above the 10 percent level. (Post. 482) As noted earlier, foundations must give away 5 percent of its assets each year.

On March 5, 1997, Representative Paul E. Gilmor (R-Ohio) introduced to the 105th U.S. Congress two bills dealing with charitable contributions designed to amend Section 14 of the Securities and Exchange Act of 1934. Representative Gilmor believes that shareholders have the right to know how management is distributing corporate resources, and that such disclosure would discourage contributions to their "pet" charities.

> H.R. 944 would require all publicly traded companies to disclose annually to shareholders the charities they contributed to and the amount of each contribution.
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> H.R. 945 would require all publicly traded companies to allow shareholders to decide what charities should receive contributions from the firm and the amount of each contribution.
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> Both bills, however, exempt gifts of personal property (products manufactured by the donor company) and donations to educational institutions and local charities.

Those who approve of H.R. 944 believe that "if disclosure is beneficial for the not-for-profit sector, its donors, and the general public, then even this sort of limited disclosure should also prove helpful to shareholders and other interested parties." (Hemphill 58) Those who oppose this bill believe that while this might work for small companies, a company like Hewlett Packard with approximately 100 000 named shareholders might find this unworkable.

Under current law shareholders have their right to request charitable contribution information from publicly traded companies, but nothing requires that the company release the information. "Although corporate foundations are required to list donations by recipients in their tax filings, which are available to the public, most corporate charitable contributions are donated directly to nonprofits, which have no legal requirements of public disclosure. (58) Those who oppose H.R. 945 believe that decisions regarding charitable contributions were a management prerogative. It would also encourage unnecessary scrutiny from special interest groups and shareholders.

Note: With the demise of the 105th Congress, Representative Gilmor plans to introducea revised version of his bills to the 106th Congress.

Conclusion

One approach a corporation can use when arriving at an ethical decision concerning its philanthropic efforts would be to consider the utilitarian calculation, comparing the costs and benefits of a decision when deciding to make contributions to nonprofit causes.

We have seen that business exists to make a profit for its stockholders and that contributions to various causes affect profits. However, in today's business world the corporation must be aware of its public image. Corporations must decide if the long-term gains will justify making a contribution to a nonprofit cause. The long-term consequences of an action must be weighed when reaching a moral decision. Today one expects corporations to be good citizens, and therefore the utilitarian cost/benefit calculation should not be the only factor used when deciding how much and to whom one should contribute.

If in the final analysis it is considered a sound business practice to support charitable causes, a corporation should consider its duty or obligation based upon something other than the consequences of the actions. According to a deontologist, a corporation should contribute to a cause because it is the "morally right" thing to do. What makes a decision or an action morally correct or worthwhile is not the effect it has or the consequences it produces, but rather the moral appropriateness of the intent.

It is impossible for a corporation to satisfy the needs of all its stakeholders in every situation. A corporation has a responsibility to its Board of Directors, stockholders, employees, and to society. Corporations have the resources, expertise, and obligation to meet their social responsibility through philanthropic ventures which in turn can:

- build product or service awareness;
- create a relationship with consumers;
- create consumer loyalty;
- enhance or polish the company image; and
- demonstrate corporate concern while raising money for a worthy community-cause.

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