

## **The Charitable Responsibilities Model of corporate social responsibility**

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### **Abstract:**

In order to mitigate the uncertainty that arises from the five paradoxes of corporate strategic philanthropy, we must re-evaluate the current system of corporate social responsibility, including its basic underlying assumptions. This paper sets forth a new model of corporate social responsibility: the charitable responsibilities model. By embracing the new model set forth in this paper, businesses can avoid the common pitfalls of corporate strategic philanthropy, increase profit, and build consumer trust. This essay examines the traditional corporate social responsibility pyramid as set forth in Archie Carroll's classic article "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders". Through analysis of recent empirical studies regarding corporate philanthropy, this essay identifies five paradoxes of corporate philanthropy. These paradoxes are a function of misinterpreting the purpose of the corporate social responsibility pyramid. The empirical studies are then used to make a normative argument supporting the proposition that the negative results of these five paradoxes can be mitigated by the adoption of a new pyramid of corporate social responsibility: the charitable responsibilities model. By building on the work of Professor Carroll, this essay proposes an alternative theoretical model akin to the model set forth by Benefit Corporations

Keywords: Corporate Philanthropy, Strategic Philanthropy, Corporate Social Responsibility, Business Ethics, Corporate Strategic Philanthropy

## INTRODUCTION

The traditional corporate social responsibility pyramid needs restructuring so as to avoid the negative effects and paradoxical results of corporate philanthropy. The traditional corporate responsibility pyramid includes four tiers that represent the responsibilities of corporations as displayed in Figure 1 (Appendix). The philanthropic responsibilities of corporations are ill-defined, and as a consequence, lead to paradoxes and negative results for corporations. Section I discusses the various definitions of philanthropy in the context of corporate social responsibility. Section II considers the five paradoxes that result from approaching philanthropy from the vantages described. Section III examines how an analysis of competitive context fails to respond fully to the paradoxes. Section IV sets forth a new model of “charitable responsibilities” and addresses potential objections while explaining the benefits of this model over the “philanthropic responsibilities” model. Section V addresses anticipated objections to the charitable responsibilities model. Section VI is a conclusion.

### I. DEFINING CORPORATE PHILANTHROPY:

The literature on corporate philanthropy is diverse in its classification of philanthropic efforts. The literature suggests at least three approaches to classifying corporate philanthropy: the business objectives classification, the business motivation classification, and the marketing utility classification. Each is considered in turn.

Many philanthropic models distinguish between non-strategic and strategic philanthropy, based on whether or not the philanthropy concerns promoting business objectives (McAlister and Ferrell 2002). Non-strategic philanthropy, otherwise known as altruistic or benevolent philanthropy, involves benefitting the social welfare without concern for the financial profitability of a company. Strategic philanthropy, on the other hand, maintains the “dual objectives [of] benefitting social welfare and financial profitability” (Maas and Liket 2011). Philanthropy, whether strategic or not, is generally perceived as a discretionary activity (Griffin 2004). As a discretionary activity, philanthropy is distinguished from the other three tiers of the corporate social responsibility pyramid: being profitable, obeying the law, and being ethical are generally perceived as non-discretionary activities. Of course, what ethical obligations exist within the business context is a point of recurrent controversy. Attributed generally to Milton Friedman’s 1970 New York Times Article, entitled “The Social Responsibility of Business is to Increase Profits,” some contend that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits...” (Friedman 1970). Although some believe that profiting is the only ethical responsibility of businesses, it is frequently overlooked that Friedman himself required that profit be the motive “so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (Friedman 1970). One’s view as to the ethical obligations of the business will inherently impact whether or not one believes philanthropy is discretionary, and even further, what type of philanthropy one’s business will engage in, if any.

Although often the distinction between non-strategic and strategic philanthropy is adopted, some authors choose to classify philanthropy based on business motivations. Porter & Kramer, for example, identify three categories of philanthropy: communal obligation philanthropy, goodwill building philanthropy, and strategic giving philanthropy (Porter and Kramer 2002). Porter & Kramer define communal obligation philanthropy as “support of civic

welfare, and educational organizations, motivated by the company's desire to be a good citizen" (Porter and Kramer 2002). This is distinguished from their view of good will building philanthropy which they define as "contributions to support causes favored by employees, customers, or community leaders, often necessitated by the quid pro quo of business and the desire to improve the company's relationships" (Porter and Kramer 2002). Finally, Porter and Kramer define strategic giving philanthropy as "philanthropy focused on enhancing competitive context" (Porter and Kramer 2002). These three categories are distinguished by the motivation of the business in their philanthropic efforts. That is, what motivates the business to give determines which category the philanthropy will fall under.

Although motivation is an important factor in some categorizations of philanthropy, others examine philanthropy primarily in terms of marketing utility. Varadarajan & Menon, for example, examine the alignment of corporate philanthropy with marketing for business interests (Varadarajan and Menon 1988). This phenomenon, known as cause-related marketing, is defined 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 a revenue-providing exchanges that satisfy organizational and individual objectives" (Varadarajan and Menon 1988). Through the alignment of marketing with philanthropic causes, a broad range of both marketing and corporate objectives can be achieved, according to Varadarajan & Menon (Varadarajan and Menon 1988). The objectives may include the advancement of the business's reputation through cause-related marketing, including the perceived reliability and honesty of the firm, for example, "a pesticide-free or non-animal-tested ingredient can be perceived by some buyers as preferable to other attributes of competitors' products" (Garriga and Mele 2004). As a marketing tool, corporate philanthropy has the potential to aid in the positive appearance, and thus the profit of a business.

Whether one classifies philanthropy based on business objectives, business motivations, or marketing utility, businesses are faced with a variety of unintended paradoxes as a result of their philanthropic efforts. These paradoxes are considered in the next section.

## **II. PARADOXES OF CORPORATE PHILANTHROPY:**

Philanthropy, in the context of corporate social responsibility, creates several paradoxes for the business. This section describes five paradoxes of corporate philanthropy which are termed as follows: the motive paradox, the action-inaction paradox, the advertising paradox, the stakeholder paradox, and the funding paradox. Each is considered in turn in what follows.

The "motive paradox" is best defined as follows: consumer perception that philanthropic efforts of businesses are driven by business self-interest. Two recent examples of the motive paradox are the Coca-Cola bottlers' school contracts and the Microsoft software donations. (Smith 2003). Coca-Cola bottlers and its competitor Pepsi-Cola bottlers both signed contracts with several United States public school systems which gave millions of dollars towards the school systems for educational support in exchange for exclusive distribution rights. (Smith 2003). The motives of these contracts were blatantly self-interested, and led to parents protesting against the sugar-laden diets of their children at schools. As a result, Coca-Cola stated it would discourage such contracts amongst its bottlers. (Smith 2003). Similarly, Microsoft offered to provide software to developing countries that could not otherwise afford the software, despite a revenue loss of approximately two-million dollars in the South African sector alone (Smith 2003). Microsoft's philanthropic efforts were criticized as self-interested attempts to capture and

retain markets. In the words of one critic, “Businesses are opportunistic and driven by shareholder interests....There is a fine line between charity and exploitation” (Smith 2003). Both Coca-Cola and Microsoft were impugned for their improper motives in the guise of philanthropic efforts.

Two studies confirm that consumers tend to question the motives of corporate philanthropy, and a third study provides an explanation for why this may be the case. A study conducted by the Reputation Institute and Harris Interactive, Inc. of a pool of 21,630 consumers, determined that most Americans question the motives of corporate philanthropic activity (Alsop 2002). The study found that “Americans have a general skepticism of corporate philanthropy ‘because there hasn’t been a long tradition of doing good in this country....The typical reaction is...there must be something in it for the company...’” (Alsop 2002). A second study concluded that “Attribution theory suggests that respondents form both positive and negative attributions about the corporate motivation for sponsorship. That is, sponsorship could be an act of corporate altruism or serve corporate self-interest. The results suggest that respondents formed both types of attributions” (Dean 2002). In other words, the second study suggests that consumers suspect self-interested motives as well as altruistic motives in sponsorship settings. A third study found that companies appear to engage in “corporate philanthropy as a tool to respond to negative media exposure” (Werbel and Wortman 2000). This non-altruistic use of corporate philanthropy, utilized to mitigate the negative effects of poor media exposure, may play a role in the consumer attitude towards corporate philanthropy. Thus, the first paradox of corporate philanthropy, the motive paradox, reveals that consumers tend to question the motives of putative corporate philanthropy.

The second paradox of philanthropy, the “action-inaction paradox” is defined as follows: whether or not companies engage in philanthropic activities, they will be criticized by consumers. This paradox is closely related to the “advertising paradox,” which is defined as: consumers both need to be made aware of philanthropic activities, but tend to respond poorly to the advertising of philanthropic activities. In other words, if a business neither participates in nor makes the consumer aware of philanthropic activities, then the business may be criticized for this failure to engage in the community. On the other hand, if a business engages in philanthropy and makes the consumer aware of it, then the business may be criticized as gloating. After September 11, 2001, both Proctor and Gamble Co. and Honda Motor Co. made significant contributions to aid in the recovery, but neither advertised their contributions (Alsop 2002). Proctor and Gamble Co. provided over \$2.5 million in products and money yet was accused of doing “absolutely nothing to help!” and because of their reticence, suffered negative consumer reactions. Similarly, Honda Motor Co. donated money, all-terrain vehicles, and generators after the attack, but did not publicize these donations. (Alsop 2002). As a result of Honda’s reticence, they were accused of lacking compassion and not supporting America (Alsop 2002). In these cases, the failure to inform the public of philanthropic efforts lead to negative consumer reactions, but simultaneously, informing the public of one’s philanthropy can also lead to negative consumer reactions. According to one study, the public is split as to how they believe a company should advertise its philanthropy. Roughly half of those surveyed believe that advertisements and press releases are the appropriate vehicle for relaying philanthropic efforts to consumers. Yet, roughly forty-percent stated that corporate websites and annual reports are the appropriate vehicle for relaying philanthropic efforts (Alsop 2002). The closely related second and third paradoxes of corporate philanthropy: the action-inaction and advertising paradoxes require businesses and

marketing departments to make decisions which negatively affect the company no matter what is decided.

A synopsis of the “stakeholder paradox” will certainly include the question of whether the corporation should engage in philanthropy or whether the stakeholders that benefit from the profit made by the corporations should engage in philanthropy. One aspect of this paradox is that if the corporation fulfills its primary purpose of making profits, then the stakeholders, including its employees and shareholders, can engage in individual philanthropic efforts if they so choose, with the increased wealth that arises from the corporate earnings (Brudney and Ferrell 2002). Another aspect of this paradox concerns the question: if the corporation is determined to engage in philanthropy, should the stakeholders have a say in what philanthropic efforts are engaged in, or should the managers make these decisions? (Smith 2003). The answer to the first aspect is perhaps determinable by whether or not the corporation’s engagement in philanthropic efforts provides added benefits to the stakeholders, and further, if these added benefits outweigh the benefits which could be brought about by individual stakeholder philanthropy, from those stakeholders who choose to participate in such philanthropy. Some studies suggest that corporate social responsibility generally is in the shareholder’s interest (Smith 2003), but determinations as to stakeholder interest in philanthropy are much more difficult to study given the variations in stakeholder definitions, the incongruent nature of philanthropy, and the relative variability of hypothetical individual philanthropy (Brammer and Millington 2003).

The final paradox of corporate philanthropy, the “funding paradox,” involves the need for sustainable long-term contributions from businesses to non-profits and charities, but the simultaneous need for these contributions to create a positive return for the business in the long-term (Peloza and Hassay 2008). There are several various methods which a business and non-profit can attempt in order to attain sustainable contributions which create a positive return for the company, but none are perennially sustainable. One study suggests parallels between governance of distribution and production with the governance of philanthropic efforts, with better governance of philanthropy leading to more profitable philanthropy just as better governance of production and distribution lead to greater profits (Peloza and Hassay 2008). According to this study, “the means by which a firm chooses to govern its philanthropic initiatives can have a significant effect on the efficiency and efficacy of its philanthropic investments” (Peloza and Hassay 2008). Although good governance is one potential solution to the funding paradox, it is not a proven, perennially sustainable method. Another potential solution to the funding paradox is for the business and non-profit to partner to such an extent that they are essentially one operating entity. This partnership method is a form of social alliance as opposed to a strategic alliance with the former being distinguished from the latter by involving at least one non-profit and some non-economic objective, such as community welfare. (Berger et al. 2004). In such social alliances, there are three stages of collaboration: the philanthropic stage, the transactional stage, and the integrative stage. (Berger et al. 2004). The philanthropic stage involves the traditional relationship wherein a non-profit seeks donations from a business. The transactional stage involves a partnership between the business and non-profit to attain a goal or exchange resources, such as cause-related marketing. Neither of these first two stages, however, provides a sustainable solution to the funding paradox. The third stage, the integrative stage, may offer such a solution, and is achieved “when the partners’ missions, people, and activities begin to experience more collective action and organizational integration.” (Berger et al. 2004; Austin 2000). Although collaborations rarely enter the integrative stage, “those that have are reaping what they perceive to be significant benefits” (Berger et al. 2004; Austin 2000). Even such

integrative alliances, however, do not come without drawbacks. One such drawback is that often parties feel there is “an unfair distribution of costs and benefits....A non-profit may perceive that the hours it spends organizing and launching alliance-related events are poorly rewarded in terms of financial contribution achieved relative to what the corporation has spent promoting the event” (Berger et al. 2004; Austin 2000). Although attempts at resolving the funding paradox may be attempted through either better philanthropic governance or integrative social alliances, none have yet created a perennially sustainable model.

The five aforementioned paradoxes seemingly have no solution under the classifications of the traditional pyramid of corporate social responsibility. Porter & Kramer contend that competitive contexts should be used on an ad hoc basis to determine the proper philanthropic activities for a given business at a given time (Porter and Kramer 2002). Although the utilization of competitive contexts may aid in efficient philanthropic activity, they do not resolve the five paradoxes of philanthropy as explained in the next section.

### **III. COMPETITIVE CONTEXTS AS A RESOLUTION TO PARADOXES OF CORPORATE PHILANTHROPY:**

Porter & Kramer set forth the strongest and most comprehensive method of strategic philanthropy in their 2002 Harvard Business Review article, “The Competitive Advantage of Corporate Philanthropy.” In this article, Porter & Kramer analyze the use of the four elements of competitive context as a means of determining where corporate philanthropy should take place conjoined with social value creation, which determines how corporate philanthropy should take place (Porter and Kramer 2002). By utilizing the methods presented in their paper, Porter & Kramer believe businesses can attain the dual objective of both improving society and profitability. In their own words, there “is no inherent contradiction between improving competitive context and making a sincere commitment to bettering society” (Porter and Kramer 2002). By invoking the methods of competitive context, one may be able to attain these dual aims, but not without colliding with the five paradoxes of corporate philanthropy.

The competitive context model of strategic philanthropy requires businesses to examine the four elements of competitive context in their determinations of where to give. The four elements of competitive context are: factor conditions, demand conditions, context for strategy and rivalry, and related and supporting industries (Porter and Kramer 2002). Factor conditions can assist in achieving higher levels of productivity and include “the presence of trained workers, high quality scientific and technological institutions, adequate physical infrastructure, transparent and efficient administrative processes (such as company registration or permit requirements), and available natural resources” (Porter and Kramer 2002). As Porter & Kramer argue, through philanthropy businesses can improve these factor conditions and thus improve their productivity. The film company, Dreamworks SKG, for example, recently began working with Los Angeles school districts to create training and internship programs that train low income students with the specialized skills necessary to work in the entertainment industry (Porter and Kramer 2002). Another example is SC Johnson, a company which partnered with several local organizations to improve the quality of living in its home city in Wisconsin, including improving the water and sewer treatment (Porter and Kramer 2002). Improving the factor conditions is the first element of competitive context which can be advanced through philanthropic efforts.

The second element of competitive context that can be advanced through philanthropy is the improvement of demand conditions. As Porter & Kramer explain, demand conditions “in a

nation or region include the size of the local market, the appropriateness of product standards, and the sophistication of local customers” (Porter and Kramer 2002). The sophistication of local customers, Porter & Kramer argue, can increase competitiveness in a region because sophisticated customers tend to demand innovation. Cisco, Apple, and Safeco all used philanthropic efforts to improve the demand conditions in their respective markets. Cisco created the Cisco Networking Academy which assisted customers in attaining trained network administrators, thus adding to the sophistication of the customer base. Apple recurrently donates computers to schools, thus improving the sophistication of the students and teachers. Safeco, a financial services and insurance company, works with nonprofits to improve safety and affordable housing. In certain test markets, the efforts of Safeco led to a forty-percent increase in insurance sales (Porter and Kramer 2002). Each of these companies improved demand conditions through philanthropy, and thus benefited from their strategic giving.

The third element of competitive context, the context for strategy and rivalry, can also be advanced through strategic philanthropy. Incentives, policies, and norms in a given region influence the productivity of business, and improve the quality of an area when they “encourage investment, protect intellectual property, open local markets to trade, break up or prevent the formation of cartels and monopolies, and reduce corruption...” (Porter and Kramer 2002). Corporate involvement in the missions of Transparency International, and the works of the International Corporate Governance Network (ICGN), assist in improving the business environment through enhancing transparency and promoting corporate governance (Porter and Kramer 2002). Through involvement in the promotion of market access and policies, philanthropic efforts can improve productivity and profits.

The final element of competitive context, the related and supporting industries element, can also be improved through philanthropy. As Porter and Kramer contend, “[a] company’s productivity can be greatly enhanced by having high-quality supporting industries and services nearby. While outsourcing from distant suppliers is possible, it is not as efficient as using capable local suppliers of services, components, and machinery. Proximity enhances responsiveness, exchange of information, and innovation, in addition to lowering transportation and inventory costs” (Porter and Kramer 2002). American Express depends largely on clusters of individuals devoted to tourism and the success of the promotion of tourism in the countries within which it contracts. In promotion of these clusters, American Express funds academies of tourism and travel that train students in the travel and tourism businesses. The academies now operate in over three-thousand schools, in ten countries, and with over 120,000 students. Approximately 25% of its students go on to careers in the travel business, thus promoting the travel clusters which support the American Express travel agency. In this manner, American Express has improved supporting industries so as to improve its travel sales (Porter and Kramer 2002).

The four elements of competitive context, according to Porter and Kramer, should be used in making strategic philanthropic decisions. Businesses can improve productivity by improving the competitive contexts through philanthropy. Despite the apparent positive results of utilizing competitive context in philanthropic efforts, the model created by Porter and Kramer does not resolve the five paradoxes of corporate philanthropy. Notwithstanding the use of competitive contexts in strategic philanthropic decisions, businesses will still be faced with the motive paradox, the action-inaction paradox, the advertising paradox, the stakeholder paradox, and the funding paradox. The next section presents the charitable responsibilities model, and shows how it mitigates the negative effects of the five paradoxes of corporate philanthropy, and

further how Porter and Kramer's competitive context method can be utilized in conjunction with the charitable responsibilities model.

#### **IV. THE CHARITABLE RESPONSIBILITIES MODEL OF CORPORATE SOCIAL RESPONSIBILITY:**

The charitable responsibilities model mitigates the negative effects of the five paradoxes of corporate philanthropy. The corporate philanthropy literature to-date interchangeably uses the concepts of charity and philanthropy, but within the context of the charitable responsibilities model, charity is to be defined as "giving for the sake of giving," to the community one is located in, without regard to business objectives. Under this definition, charity is akin to what some authors refer to as non-strategic, altruistic, or benevolent philanthropy. Charity is distinguished from corporate philanthropy, which, within this dichotomy is defined as: businesses acting out of the dual motive of aiding the community and improving business objectives. By these definitions, charity can never be philanthropy and vice-versa because philanthropy involves the additional requirement of attempting to improve business objectives. Given these definitions, philanthropy is concerned with economic gain, and thus is placed in the base of the corporate social responsibilities pyramid, with charitable responsibilities placed on the top, as represented in Figure 2 (Appendix). The re-structuring of the corporate social responsibility pyramid in this fashion will mitigate the negative effects of the five paradoxes of corporate philanthropy.

Acknowledgement by businesses that corporate philanthropy is distinguished from charity by the desire to achieve business objectives will decrease consumer questioning of businesses' motives for corporate philanthropy, because businesses admit that their corporate philanthropy is motivated by economic gain. The hypothesis is as follows: savvy consumers will appreciate the honest admission that corporate philanthropy is about economic gain for the business. Therefore, when a business acknowledges the dual motives of corporate philanthropy, its true charitable activities, if acknowledged as charitable, will more likely be believed to be charitable by the consumers. By admitting mixed motives, and respecting the intelligence of the consumer, the corporation will foster a relationship of trust with the consumer. A marketing pitch, of "yes this donation is intended to help our company...but it also benefits the community!" is a marketing pitch that most consumers will understand and appreciate. Distinguishing in this manner between charity and corporate philanthropy will mitigate the negative effects of the motive paradox.

Distinguishing between charity and corporate philanthropy will mitigate the negative effects of the action-inaction and advertising paradoxes. The hypothesis is as follows: businesses that admit via advertising that their philanthropic efforts also have a business objective, will build trust between the consumer and the business. Mixed motives still show the consumer that the business is contributing to the community, even if there is a profit incentive. Advertise the philanthropic efforts recognizing the dual motive, but publish the charitable efforts only in the annual report and on the company website. This method will appease both sets of consumers: those who believe philanthropy should be advertised, and those who believe that it should be published on the website and annual report. By re-categorizing corporate philanthropy as within the economic base of the pyramid, the negative effects of the action-inaction and advertising paradoxes will be mitigated.

The negative consequences of the stakeholder paradox are mitigated under the charitable responsibilities model. By admitting that corporate philanthropy is about economic gain and business interests, it becomes apparent that the managers should make decisions about whether or not the company should engage in corporate philanthropy, as opposed to other stakeholders making these decisions. The paradox persists, however, insofar as the question of who should determine what charitable donations are made is not resolved. Within the charitable responsibilities model, like any responsibilities within a business, whether or not the company will engage in charity is something which should be set forth in its operating agreement, bylaws, or articles of incorporation (hereafter “legal documents”). If the designation of whether the company has the authority to make charitable donations is determined *ab initio*, then there is no paradox. Each company will make the determination about whether it will embark in charity, and include any charitable responsibilities in its legal documents. Existing companies that currently do not include charitable responsibilities in their existing legal documents can easily amend their legal documents by methods permitted under the laws and rules of the company. The stakeholders have implicitly consented to the laws and rules of the company by their interaction with the company, so the stakeholders will also be bound by the determinations as to charitable responsibilities which follow from abidance to those rules and laws. Accordingly, the charitable responsibilities model also mitigates the negative effects of the stakeholder paradox.

Finally, the negative effects of the funding paradox will also be mitigated by incorporation of the charitable responsibilities model. Although funding is a recurrent problem with several charities, the categorization of corporate philanthropy into the economic tier of the corporate social responsibility pyramid, a mandatory tier, will require that philanthropic efforts for business objectives be engaged in. If businesses follow in this reclassification, then corporate philanthropy will be included in the mandatory, not discretionary budgets of businesses. Currently, line items labeled as “corporate philanthropy” are generally perceived as discretionary items, and are rarely sustainable over time. If line items labeled as “corporate philanthropy” become mandatory to the business objectives of the company, then long term sustainability may be realized. Similarly, by engaging in charity, giving for the sake of giving, over and above the corporate philanthropic obligations, even more may be provided to those in need. Of course, it is each individual company’s decision whether it engages in the marketing technique of corporate philanthropy, as opposed to some other marketing technique. After all, the economic responsibilities tier is mandatory, but how an individual company achieves its economic base, through corporate philanthropy or some other marketing technique, is discretionary.

The negative effects of the five paradoxes of corporate philanthropy are mitigated by the adoption of the charitable responsibilities model of corporate social responsibility. In this way, the charitable responsibilities model has many advantages over the traditional philanthropic responsibilities model which places philanthropy instead of charity at the top of the corporate social responsibility pyramid. By admitting the distinction between corporate philanthropy and charity, companies will achieve their objectives both strategically and altruistically. This re-categorization, however, does not in any way refute the competitive context model presented by Porter and Kramer. To the contrary, the charitable responsibilities model compliments the competitive context model which may still be utilized in the context of corporate philanthropy, but not in the context of charitable giving. The next section considers anticipated objections to the proposed restructuring of the corporate social responsibility pyramid.

## V. OBJECTIONS TO THE CHARITABLE RESPONSIBILITIES MODEL:

A restructuring of the traditional corporate social responsibility pyramid into the proposed charitable responsibilities model may be criticized as drawing unnecessary distinctions, it may also be criticized from a Friedmanian position, from a stakeholder position, and for not resolving the five paradoxes of corporate philanthropy. Each of these anticipated objections is considered here.

The first objection, the “unnecessary distinction objection,” goes as follows: the charitable responsibilities may create an unnecessary distinction between corporate philanthropy and charity which may just add confusion to an already convoluted definition of philanthropy. Furthermore, many authors have already accounted for what is termed as “charity” by referencing benevolent or altruistic philanthropy. Why must this distinction be made and why should we adopt it? In response to this critic, the distinction between charity and corporate philanthropy is useful because it permits the restructuring of the corporate social responsibility pyramid by re-categorizing what has commonly been referred to as “strategic philanthropy,” into the economic base of the pyramid, while permitting charity, a little studied concept, to become the focal point of corporate discretionary obligations. The use of the word “charity” as opposed to “non-strategic philanthropy” makes little difference in practice, but allows for a clearer conceptual distinction.

The second objection, the “Friedmanian objection,” is based in the infamous work of Milton Friedman who holds that the only social responsibility of businesses is to make profits (Friedman 1970). Perhaps even Friedman could have perceived the benefits of corporate philanthropy, so far as such philanthropy entailed business objectives. To claim, however, that corporations should engage in charity without any concern for business objectives is antithetical to the profit-purpose of businesses. In response to this objection, consider that within the model of charitable responsibilities set forth in this essay, each corporation is permitted to determine whether or not it will embark in charitable activities, and thus to determine individually whether its purpose is solely to profit, or to do something more, to give back to the community for the sake of giving. By incorporating the charitable obligations of each participating company in its legal documents, potential investors will have transparency as to whether and to what extent each company participates in charity. In this way, investors can choose the company they invest in based on all pertinent factors, including whether and to what extent a company participates in charity. Some corporations may choose not to participate in charity, and the non-charitable companies may be more appealing to some investors who are only concerned with profit. The model of charitable responsibilities permits each individual company to decide whether it will participate in charity, that is to say, whether each company will adopt the charitable or philanthropic model of corporate social responsibility.

The third objection, the “stakeholder objection,” may be made by an individual who is currently invested in a company that does not currently include any provisions in its legal documents regarding charitable activities. This stakeholder may disagree with the company’s ultimate decision about whether to engage in charitable activities or not. This particular stakeholder does not believe it should be bound by the methods outlined in the existing legal documents of the company at issue, and does not expressly, or so this stakeholder claims, implicitly consent to the voting methods of these documents. In response to this stakeholder, as with any company decision, some will be pleased and some will not. This stakeholder is welcome to end its affiliation with the company, and invest in other companies that support its

initiatives. However, just as this stakeholder may leave the company because of the decision as to charity other stakeholders will be drawn to the company for that same decision.

The fourth, final, and most powerful objection to the charitable responsibilities model is the “failure to resolve paradoxes objection.” This objection claims that even if one adopts the charitable responsibilities model, that the paradoxes of corporate philanthropy will still prevail. To this objection, the critic is correct insofar as the contradictions inherent in the paradoxes of corporate philanthropy are only mitigated by the introduction of the charitable responsibilities model, and are not dissolved entirely. To say that a paradox is mitigated is to say that the contradictions which arise within the particular paradox can be decreased, thus decreasing the potential for negative effects flowing from the paradox. Although the charitable responsibilities model is not infallible, and objections can be made, it may, for some companies, be a better alternative than the traditional philanthropic responsibilities model.

## **VI. CONCLUSION:**

The traditional corporate social responsibility pyramid needs to be restructured in order to mitigate the negative effects of the paradoxes of corporate philanthropy that arise as a result of its classificatory scheme. The charitable responsibilities model of corporate social responsibility mitigates the negative effects of the five paradoxes of corporate philanthropy while simultaneously preserving the strategies of competitive context and strategic philanthropy within the economic base of the pyramid.

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**APPENDIX:**

Figure 1:

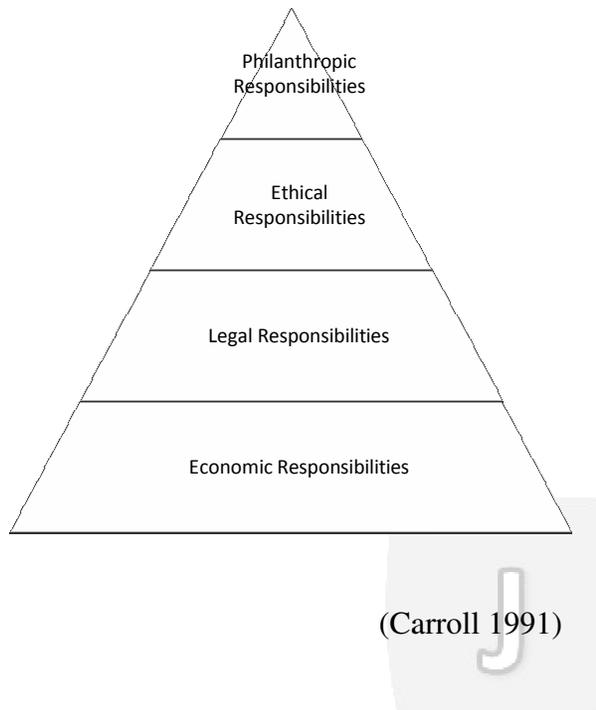


Figure 2:

