

Offsetting perceptions: Firms use charitable giving to clean up their international reputation

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British multinationals operating in countries that lack basic human rights give around 70% more money to charity than firms that do not have a presence in such politically controversial nations, a new study has revealed.

The findings support the growing body of research suggesting that corporate charitable giving plays an important strategic role for many businesses.

In a study looking at the charitable donations of 305 UK plcs, comprising around half of FTSE All-Share Index companies, analysts found that a corporate presence in one or more countries in which political rights and civil liberties are curtailed pushed up the average level of donations from £1.148m to £1.977m.

Writing in the *Journal of Management Studies*, the researchers suggest that this increased philanthropy could be seen as an attempt to "offset" negative connotations related to the companies' operations in controversial countries such as China, Burma, Sudan and the Democratic Republic of Congo.

"The positive impact on charitable giving is restricted to a presence in only those countries that are most lacking in political rights and civil liberties," said Dr Stephen Pavelin, of Henley Business School, UK, part

of the team who carried out the research. "Our findings suggest that companies are seeking to offset negative impressions in the eyes of the public that arise from doing business in such countries by making greater gifts to charity."

The study drew information from the companies' annual reports from 2002 and looked at presence in 'countries of concern', as defined by criteria established by the FTSE4Good Index - which aims to identify environmentally and socially responsible companies - as well as indicators of political rights, civil liberties and corruption derived from research by the independent organisations Freedom House and Transparency International.

Unable to separate out corporate giving by country, the team could not determine whether the higher levels of charitable donations were directed towards projects in the UK or in the host countries themselves. "This finding is perhaps indicative of relatively token responses to corporate exposure to political and civil rights issues, rather than significant attempts to address or atone for these issues through giving aimed at impacted communities," said Dr Pavelin.

While political and civil rights issues were shown to stimulate charitable donations, level of corruption did not have a similar effect. "It appears that the salient feature of a country in this connection is a lack of political rights and/or civil liberties, rather than a presence of high levels of corruption," said Dr Pavelin.

No evidence was found of a link between money donated to charity and the fact that firms operated in a number of different countries. Multinationals make similar contributions to their 'uni-national' counterparts, the study found.

"It is clear that the characteristics of the countries within which

companies operate play a more significant role in shaping corporate social performance than the degree of internationalisation per se," said Dr Pavelin.

Source: Wiley ([news](#) : [web](#))

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