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Giving with Some Thought of Reward: How Firms Attract Media Attention to their Corporate Philanthropy

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Introduction

On the morning of August 23, 2005, **Hurricane Katrina** hit the coast of southeast Louisiana and southwest Mississippi. Within hours, the force of the hurricane and the storm surge it generated catastrophically fractured the levee system in and around the city of New Orleans, flooding about 80% of the city.

The destruction caused by this flooding, as well as other damage caused by the hurricane across several states, caused close to 2,000 deaths and made Katrina the most costly natural disaster in the history of the United States.

U.S. Department of Commerce, 2006

Although the response of the Federal Emergency Management Agency (FEMA) to the destruction caused by Hurricane Katrina has been widely criticized (e.g., Brinkley, 2006; Schneider, 2005), responses to the disaster by several private companies were applauded both by victims of the hurricane and by commentators. For example, Wal-Mart began shipping donated emergency supplies to the areas hit hardest by the storm as soon as the day after the hurricane, in addition to giving more than $20 million to emergency relief organizations responding to Katrina (Wal-Mart, 2005). Wal-Mart also provided services to victims of the hurricane, including operating an emergency contact service through its website and in-store kiosks which helped victims find lost loved ones, donating internet-ready computers to evacuee shelters, and guaranteeing a job for each of its displaced employees after their lives had stabilized (Wal-Mart, 2005).

Wal-Mart's emergency response efforts were widely praised. For example, in an interview on NBC's Meet the Press, Aaron Boussard, President of New Orleans' Jefferson Parish, quoted Sheriff Harry Lee saying:

> "If America—American Government—would have responded like Wal-Mart has responded, **we wouldn't be in this crisis**."
>
> **Meet the Press, 2005**

When asked shortly after the hurricane why his company had become so deeply involved in the relief effort, Wal-Mart CEO, H. Lee Scott, responded:

> "We as a company do care. If anything, this week has shown **we do care**."
>
> **Barbaro & Gills, 2005**

Scott's statement that his company used its resources in the attempt to alleviate human suffering following a natural disaster because it "cares" is consistent with a genuine concern for the disaster victims by leadership of the company. However, Wal-Mart's involvement in the Hurricane Katrina response also led to glowing press coverage and positive publicity for the firm. Thus, Walmart's relief efforts following the hurricane could also be seen as a form of advertising or public outreach. In other words, there may have been business reasons for Walmart to aid the victims of Katrina in addition to the humanitarian reasons highlighted by Scott's remarks.

This idea that firms may benefit financially by doing social good is not new. Hundreds of studies have evaluated the link between "doing good" socially and "doing well" financially. While some claim large benefits for firms that engage in corporate social responsibility (CSR)— like philanthropic giving—others have concluded that CSR has nil or even negative effect on financial performance. Yet, until recently, this research on the link between CSR and financial gains has not considered a critical avenue through which the connection between CSR and profitability might be drastically enhanced: media attention. Without taking into account the ability of

CSR to attract positive media attention, the financial half of the shared value equation in strategic philanthropy (Porter & Kramer, 2006; Porter & Kramer, 2011) will be underestimated. Frequently, arguments for shared social and financial value generation rely on external stakeholders (like customers and regulators) rewarding firms' corporate philanthropic initiatives.

Yet, how can stakeholders reward firms if they are not aware of the philanthropy in the first place? Media attention to corporate philanthropy plays an important role in this process by alerting external stakeholders to the good that companies are doing.

In a recent research project (Madsen & Rodgers, 2015), we explored both the antecedents and consequences of media coverage of corporate philanthropic giving. We'll discuss our findings in more detail below. But, to summarize, this research suggests that financial rewards for corporate disaster relief philanthropy accrue primarily only to companies whose philanthropy attracts meaningful media attention. We examined corporate philanthropy that followed four major natural disasters: the 2004 Indian Ocean Tsunami, Hurricane Katrina in 2005, the 2010 earthquake in Haiti, and the 2011 earthquake and Tohoku tsunami in Japan. We found that only a fraction of the companies that gave philanthropic donations to help the victims of the disasters received any media coverage at all for their philanthropy. Those that did receive media coverage of their disaster relief efforts benefitted financially—in the form of abnormally large increases in stock price around the time the philanthropy was announced. On the other hand, the firms that received no media coverage of their philanthropy saw no financial benefit in the sense that they had no abnormal stock price increases. In other words, media coverage is a vitally important pathway for firms to benefit financially from the social good that they do. Our research was the first to examine this important pathway in depth.

The purpose of this article is to discuss how companies can use the findings from our research to understand how to generate more media attention for their philanthropic giving. In doing so, we will first describe our study.

We will drill into the four factors that we found to be the most impactful drivers of press coverage of corporate philanthropy, specifically: **credibility, tangibility, effectiveness, and relative generosity**. Since these factors may also boost the social value generated by corporate giving, strategic consideration of these factors could allow firms to both generate greater returns from their philanthropic spending and do more good by increasing their philanthropic giving, knowing that they can expect to see a return on those social investments.

Background

For decades, management scholars, strategists, economists, and political scientists have debated the social responsibilities of private businesses to broader society. While many different positions on this question have been taken over the years, the arguments over corporate CSR tend to fall into two main camps, one arguing that companies' only responsibilities are to obey the law and maximize their shareholders' returns and the other arguing that companies are obligated to pursue the interests of others, non-shareholder, groups that their activities may influence (Weitzel & Rodgers, 2015). The first camp's position is summed up by Milton Friedman's (1970) now-famous phrase:

> "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits."

The second camp's argument may be summarized by Bowen's (1953) admonition that corporations should

> "pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."

The philosophical debate over the role of companies in society rages on. But business scholars have largely turned their attention to the question of whether firms may expect to benefit financially by doing social good. If this is the case, then the positions of the two CSR camps become compatible in the sense that firms may increase their profits and benefit their shareholders by doing good for society. The bulk of the research in this vein attempts to untangle the question of if and when firms can 'do well by doing good,' or in other words whether or not firms benefit financially from their social activities. Prior research has suggested several ways in which a firm's CSR could be expected to generate financial gains. For example, customers and potential customers may value a firm's CSR to the extent that they would choose to patronize that firm rather than one of its competitors as a direct result of the CSR. Similarly, employees and potential employees may choose to work for a firm at a discount relative to the external labor market because they value the social good done by the firm. Another argument for a link between CSR and financial performance suggests that a reputation for CSR may act as a form of reputation insurance, granting the firm more leniency from outside stakeholders for any scandals it may experience or missteps it might make (Godfrey, 2005; Godfrey et al., 2009).

The Research

However, prior research on this topic had not explored the mechanisms through which outside groups, like customer, potential customers, potential employees, and the public, learn about the social good that a company may be doing. For most members of these groups, the primary means through which they could learn about a company's CSR is through mass media coverage. So, we designed a study to examine two questions: How does media coverage influence the financial gains firms derive from their CSR? And what characteristics of firm CSR attracts media attention?

To address these questions, we decided to examine corporate disaster relief philanthropy and collected data on corporate responses to the four largest natural disasters (in terms of corporate disaster response) of the past two decades—the **2004 Indian Ocean Tsunami**, **Hurricane Katrina in 2005**, the **2010 earthquake in Haiti**, and the **2011 earthquake and Tohoku tsunami in Japan**. These four disasters were diverse in their locations and impacts, giving us confidence that the findings from our studies would apply across a wide variety of contexts. For example, two of these disasters (Katrina and Tohoku) occurred in developed countries and two affected primarily developing countries (Indian Ocean Tsunami and Haiti). Two of the disasters occurred in the western hemisphere and two in the eastern hemisphere.

For the first part of the study, we examined stock price reactions to announcements of corporate relief philanthropy to aid victims of these four disasters. To do this, we used an "event study" methodology to isolate the impact of corporate disaster relief philanthropy on unexpected ("abnormal") movements in the company's stock price. We measured the average abnormal stock price returns separately for firms whose disaster relief work had received media coverage and for firms whose disaster relief philanthropy hadn't been covered by the media.

For the first group (those that got media coverage) we measured abnormal stock price returns of 0.55% -0.65%. Although half a percent may sound small, because the average market capitalization of the firms we studied was about $25 billion, this represents a market value increase of roughly $ 150 million per firm. Compared to the level of money and resources donated (which was rarely much more than $1 million in aid per disaster—in fact $1 million even was the most common amount given), this **market capitalization increase was an enormous payoff** for the firms that were covered in the media, **representing a massive return on investment**.

On the other hand, firms that donated to aid disaster victims, but whose donations received no media attention had abnormal stock price returns of essentially zero, indicating that they received no financial benefit from their disaster relief philanthropy. This analysis demonstrated the importance of media coverage in the connection between corporate CSR and financial benefit. The accrual of measurable financial gains came only to firms whose philanthropy received media attention.

Given the importance of media attention to financial gains from CSR, in our second analysis we set out to study the factors that led to more or less media coverage of a firm's disaster relief philanthropy. In this analysis we conducted a regression analysis to predict the number of media mentions that a firm's philanthropy attracted. We studied hundreds of millions of dollars' worth of corporate relief effort contributions to the same four catastrophic disasters we looked at in the first analysis: the 2004 Indian Ocean Tsunami, Hurricane Katrina in 2005, the 2010 Haitian earthquake, and the 2011 Japan 'Tohoku' earthquake and tsunami. This analysis uncovered several factors that influenced the amount of media attention a firm's philanthropy received. Some of these factors were largely outside the control of a firm's management, and were, thus, not very actionable. For example, firms in some (such as airlines) got more media coverage than firms in other industries (like manufacturing). And even within industries, firms that had greater media coverage in general were also more likely to get coverage of their philanthropic efforts. A firm's leaders can't easily shift to a different industry or become media darlings overnight. But, we also found certain characteristics of corporate philanthropy that significantly affected the amount of media coverage that the philanthropy attracted and that were clearly under management control. Specifically, we found that the credibility, tangibility, timeliness, and relative generosity of philanthropic activities influenced the amount of media attention that those activities received. Moreover, by choosing how to employ these four characteristics of CSR, we believe that managers at any firm could increase the amount of positive media attention that their philanthropic activities receive. In the next section, we'll go into more detail about each of these four factors and how their impact on media attention can be used to increase media coverage.

The Four Keys to Attention-grabbing Philanthropy

These four factors, credibility, tangibility, timeliness, and relative generosity, represent an actionable set of factors that drive media coverage of corporate philanthropic efforts. Each of them had a significant impact on the amount of coverage received and each of them indicates a separate factor for leaders to consider when contemplating a philanthropic action. Each factor is discussed in detail below.

Credibility: Our analysis found that the media is more likely to cover corporate philanthropy that appears more likely to make a real difference in the social ill it aims to ameliorate. Just as political candidates receive boosts from popular figure endorsements because such endorsements make the candidate seem more credible, endorsements from recognized nonprofit organizations boost media attention to corporate philanthropic initiatives. In fact, we found that corporate philanthropy was much more likely to be covered in the media if it was made in partnership with an established nonprofit organization working in the area that the philanthropy was targeted at. Social value may also increase; as corporate resources are deployed with the aid of nonprofit social impact expertise.

Our research revealed disaster philanthropy publicized by nonprofit partners received an average of 2 to 3 times more media attention than corporate philanthropy in which the firm was working alone. This is a massive increase. Simply by partnering with a nonprofit, firms doubled or tripled the media coverage their activities received. For example, shortly after the Haitian earthquake hit on January 10, 2010, credit card company, Visa, announced a $200,000 donation to the American Red Cross to aid victims of the disaster. This was a relatively modest donation for a company of Visa's size (many companies, including Visa's competitor American express, gave more toward the response to the earthquake. But nonetheless, Visa got more media coverage of its donation than any of its competitors, and the 5th most coverage out of the 234 companies that donated following the earthquake that we studied. What was Visa's secret to garnering more media attention? First, donating to the Red Cross was an effective strategy. Because the Red Cross is instantly recognizable to most readers, the media seems especially likely to report on its activities following major natural disasters. Companies that donate to the Red Cross benefit from that coverage. Second, in addition to its donation, Visa was also among the first financial institutions to announce that it would wave transaction fees for customers donating to nonprofits working on disaster relief following the earthquake. This amounted to a sort of donation to any nonprofit that any Visa user chose to donate to via credit card. Again, the media took note of Visa's generosity toward these nonprofits and rewarded it with free, positive publicity.

Other examples of large, measurable increases in media coverage include other corporate donors and fundraisers publicly thanked by the Red Cross (which goes out of its way to publicly recognize its large donors in ways that tend to be picked up by the media). Also, the American Association of School Administrators publicly recognized ING for financial assistance in school rebuilding after Hurricane Katrina, leading to positive press coverage. And Habitat for Humanity publicly praised Lowe's for fundraising, cash, and material donations to Sri Lankan home building after the 2004 Indian Ocean Tsunami, boosting media mentions of Lowe's charitable work. These examples drive home the point that in corporate philanthropy, it pays to partner with an NGO known for its charitable work. Greatly enhanced media coverage follows firms that tap into the expertise and public recognition of nonprofits.

Lesson 1: Partner with an established nonprofit in the area you contribute to.

Tangibility: In our analysis, we also considered whether firms that to disaster relief donated only cash or included in-kind goods or services. We found that these two forms of philanthropy were not equal in terms of attracting media coverage. In fact, in-kind product donations attracted much more media attention than cash-only donations. Because product and service donations address needs directly, their social impact is potentially more helpful than cash alone. They often are easier to observe (and photograph) making for more compelling media stones.

Shortly after the 2010 Haiti earthquake, Verizon Wireless started soliciting donations and waiving fees for donation-related text messages. Verizon expedited the delivery of funds to relief organizations by overriding standard processing times. Later, they provided free calling to and from the earthquake zone for all Verizon calling cards and phones.

For the disaster relief we studied, other examples of in-kind donations included logistical support by FedEx, UPS, and several major air carriers; consulting by firms such as Intel or GE; kids' shoes from Crocs; food products by companies like Ikea, Kraft, and Walmart; and medical supplies by firms such as Pfizer, Novartis, and GSK. Contributions that included in-kind elements increased media coverage by 2 to 3.5 times compared to cash-only contributions.

Lesson 2: Make in-kind donations related to your business in addition to, or instead of, cash donations.

Timeliness: Just as donors donate more to charities deemed effective, media attention is selectively paid to high-impact philanthropy. In disaster relief, perhaps the most critical component is speed—early donations are vastly more effective because they address the most pressing needs present in the immediate aftermath of the disaster.

Walmart's help in Hurricane Katrina, as mentioned earlier, is a prime example. By immediately committing millions of dollars in cash, over 100,000 meals worth of food, and 1,500 truckloads of donated merchandise, Walmart famously beat federal disaster relief agencies to the front—and were heavily rewarded with positive publicity. In contrast, Chubb Corporation's donations made 8, 9, and 17 days after major disasters received no media attention—but their contribution 2 days after the Haiti earthquake did. Chubb's donation following the Haitian earthquake did not differ dramatically (other than in timeliness) from its donations to the other disasters we studied. In fact, its $500,000 donation following the earthquake in Haiti was smaller than its $ million donations following the Asian Tsunami and Hurricane Katrina, and its $750,000 donation following the Japanese earthquake and Tsunami. Moreover, in all four cases, Chubb's donation went to large, recognizable nonprofits such as the Red Cross and Doctors without Borders. The key difference seems to be timing. Chubb's larger donations announced more than a week after the disasters they addressed got no media coverage at all, whereas a somewhat smaller donation by the same company announced two days after the disaster caught the media's attention. Timeliness matters for media coverage of corporate philanthropy.

In fact, timeliness was the single biggest factor in predicting media coverage in our analysis. Corporate disaster relief plans that were announced very early (within one or two days of the disaster they were meant to address) got more than ten times the media coverage, on average, of corporate relief efforts announced more than one or two weeks after the disasters.

The early birds got the worms.

Timing was perhaps especially meaningful in the context of our study because disaster relief is needed so desperately in the immediate wake of a major natural disaster. But this notwithstanding, the issue of timeliness should apply to virtually any form of corporate philanthropy. When a social need is pressing, the need itself tends to attract media attention. Corporate philanthropy carried out at this time, while interest in the issue is keen, is more likely to be attended to by the media. Corporate philanthropic programs launch later when media attention to the issue has waned and when earlier news stories of corporate action in the area have already been written are less likely to generate coverage. Getting involved very early on in a pressing social need may be the surest way to guarantee plentiful media coverage of a corporate philanthropic program.

Getting involved so early will probably require advance planning rather than merely reacting to new social needs after the fact. Forward thinking philanthropic planning can lead to much greater return on corporate investments in philanthropy. For example, Walmart's reaction to Hurricane Katrina was not a decision made after the devastation of the storm had become apparent. Rather, Walmart had tracked the hurricane in advance and, anticipating potential disasters in Louisiana and Texas, had stockpiled emergency supplies at stores in those locations.

Lesson 3: Engage in philanthropy that effectively addresses a social need in a timely manner. Plan in advance to be ready for such giving opportunities.

Relative Generosity: In our analysis, we studied whether the absolute size of philanthropic donations or the size of a donation relative to the size of the company mattered more for generating media coverage. We found that although both the absolute and relative sizes of corporate donations were positively associated with media coverage, relative donation size had a bigger effect. In other words, it doesn't matter just how big a donation is, it seems to matter more how big the donation is compared to the size of the company. In fact, we found that in corporate philanthropy, relative—not absolute—generosity attracts more attention even when the scaled sizes are not explicitly reported.

Media outlets are more likely to publish stories that are surprising than stories that are expected by the reader. It isn't surprising when a large company makes a sizable donation to a philanthropic cause because readers expect that large firms have a lot of discretionary money that they could purpose to a charitable cause. But when a smaller company gives a big donation to a cause, readers may find it more unexpected and so media organizations are more likely to cover it. That's why major financial firms like Goldman Sachs, Morgan Stanley, and Prudential received no press coverage at all for writing $1 million checks for philanthropic relief in several of the major disasters we examined. Similarly, no public attention was paid to million dollar donations from oil giants like Exxon and Conoco, blue chip companies including IBM and 3M, or large manufacturers such as Paccar and Honeywell.

Yet, smaller firms were recognized by the media for donations that were larger relative to company size but lower dollar amounts. Teletech Holdings, Publix grocery, Crocs, and Health Net each received free, positive publicity in the media for $100,000 contributions in response to the disasters we tracked. On average, companies received 20-28% more press coverage for each asset-scaled dollar donated to disaster relief. In the competition for media attention, David can defeat Goliath. The big guy doesn't always win. So there's no reason for smaller companies to stay out of the philanthropy game. Their smaller size can be an advantage.

Lesson 4: Small companies with philanthropy larger relative to company size can win over larger competitors with smaller donations relative to size in attracting media attention.

Conclusion

Increases in the credibility, tangibility, effectiveness, and relative generosity of CSR efforts— when amplified by media attention— can not only result in increase for firms, but also for more social good accomplished. Credible efforts can leverage existing skills and experience of social problem solvers. In-kind donations can directly, sustainably, and skillfully address needs.

Finally, relative generosity packs a lesson both for large and small givers: both should give more, inasmuch as they are able. Large CSR contributors should give more because they can, and small CSR contributors should give more because it still counts.

And all of these efforts will not only bring about more social good, but also aid firms in, but also help garnering more positive media attention, which companies can then lead to generate greater stakeholder goodwill and subsequent firm financial benefits. Higher payoffs for CSR, in turn, cancan encourage firms both to increased investment in the quality and the amount of their CSR investment efforts. As long as these efforts are genuine, better looking CSR that garners more media attention can actually do more good both for corporate philanthropists and for their beneficiaries.

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