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Abstract

This mixed-method dissertation explores how companies manage competing tensions in their corporate social responsibility platforms, with an emphasis on the activity of corporate philanthropy. While existing literature has overwhelmingly focused on the post-grant financial effects of corporate philanthropy, I shift our attention to various internal contestations between social impact and business impact that influence how companies structure their involvement in the nonprofit sector and society more broadly. The first two qualitative chapters explore the process of grantmaking. In chapter one, I investigate how corporate grantmakers manage long-term institutional complexity that persists due to their seemingly contradictory professional positioning in both the corporate and nonprofit fields. In the second chapter, I provide a novel organizing framework for understanding how some grantmaking processes come to be more focused on social impact, while others come to be more focused on social influence. I take a broader view in chapter three, using statistical analysis to provide evidence that firms facing environmental controversies increase their externally-focused philanthropic giving but decrease internally-oriented environmental practices. Across the three chapters, I contribute to scholarship on corporate philanthropy, nonmarket strategy, institutional complexity, and impression management.

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For Zora and Jolene

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Introduction

Management scholars have long argued that firms play a role in larger society (Bansal and Song 2017, Carroll 1999, Godfrey and Hatch 2007, Margolis, Elfenbein and Walsh 2009). Indeed, over the last several decades, stakeholder groups including investors, consumers, employees, and the public have increasingly demanded more responsible business practices and companies have responded by voluntarily adopting social, environmental, and governance initiatives (Scherer and Palazzo 2011). Corporate philanthropy is one of the oldest and most prominent forms of such initiatives and, as such, firms consistently rely on philanthropy to respond to concerns over societal issues. In 2016, companies donated about $19 billion to the nonprofit sector, up from $14 billion in 2011 and $7 billion in 1996 (USA 2017). Understanding how companies evaluate and select nonprofits into their funding portfolio in important because philanthropy is a key vehicle through which the elite shapes how society approaches social problems (Domhoff 2006, Mills 1956). Scholars argue that corporate philanthropy, in particular, has significantly reshaped the nonprofit sector along more market-based lines, i.e., demanding greater efficiency, accountability, and metrics (Clemens and Guthrie 2010). Despite its widespread presence across the United States, its potential to influence policy, and its ability to shift how social problems are seen, we know surprisingly little about how companies conceptualize and carry out their commitments to social problems.

I argue that much of this gap can be attributed to the tendency of existing research to conceptualize both philanthropy and corporate social responsibility (CSR) in the aggregate. Regarding philanthropy, the bulk of studies use quantitative, pre-giving, post-giving comparisons of firm profit that are unable to explore how funding choices are actually made (for a review, see: Aguinis and Glavas 2012). Regarding CSR, many studies collapse all CSR activities – philanthropy, diversity initiatives, environmental practices, and so on – into one measure (e.g., Chin, Hambrick and Treviño 2013). These aggregations are problematic because they mask important tensions and tradeoffs that are central to CSR activities. Moreover, the tendency to focus only on firm benefits (Margolis and Walsh 2003) risk encouraging managers to act in the interest of society only when doing so meets immediate business needs. Exploring how companies grapple with tensions as they adopt larger roles in social problems, especially from the position of the individuals who oversee these activities, is critical to illuminate the conditions under which both firms and society gain from corporate philanthropy and other CSR initiatives.

This dissertation bridges these gaps using a multi-method approach. I reposition societal impact as a key aspect of philanthropy, exposing and exploring the tensions that companies navigate as they cross the corporate and nonprofit sectors. I use in-depth interviews to understand how corporate grantmakers – i.e., those responsible for donation decisions – negotiate social impact alongside business impact. I also use statistical analysis to develop the idea of tradeoffs between different forms of CSR. In detailing the ways that organizations and their actors navigate strategic CSR tradeoffs, I foster a more complete understanding of dynamics that shape how companies structure their relationship with local communities and larger society. Along the way, I offer contributions to the literatures on institutional complexity, impression management, and nonmarket strategy.

Chapter Overviews

In the first chapter, I draw on interviews with corporate grantmakers to investigate how individuals simultaneously embody seemingly incompatible institutional prescriptions in their everyday work. I show how corporate grantmakers accept conflicting frames for themselves, while limiting the experience of conflicting frames for others. When grantmakers approached their work, they adopted a *paradox frame* that coupled elements of *both* business *and* social impact. Rather than eliminate tension through decoupling or tight blending, two strategies often described in the literature, grantmakers embraced competing elements by combining them in a flexible manner. Yet when grantmakers related their work to others, grantmakers *frame switched* such that they deployed *either* a business impact frame *or* a social impact frame based on perceived audience preference. I argue that by alternating frames that both accept and limit paradox, grantmakers were able to balance the competing demands of their work environment, satisfy multiple audiences, and maintain their occupational autonomy. Yet at the same time, this adaptive work restricted the possibilities for stronger relationships between firms and nonprofits. By integrating insights from framing theory, this study shifts research institutional complexity from the organizational- to the individual-level and positions complexity responses as more situational and agentic than extant literature.

In chapter two, I explore how companies determine which particular social causes and nonprofits will receive their grants. Existing theoretical perspectives predict that companies donate to obtain a variety of firm benefits, yet they assume that companies can achieve these benefits simply by donating more money. I argue that to understand potential outcomes for both business and society, it is crucial to understand *how* companies allocate grants. I develop a novel framework for categorizing grantmaking strategies that varies along two primary dimensions: 1) the extent to which companies specialize in or diversify across social problem areas and 2) the extent to which companies use their philanthropy to obtain direct or indirect stakeholder benefits. Analyzing data from in-depth interviews with corporate grantmakers at large firms, I show that companies with the most concern for direct stakeholder returns are the most likely to donate across wide areas of social problems and companies showing the most concern for social impact are the most likely to donate within a narrowly defined social problem area. My approach expands existing academic conversations on corporate philanthropy and nonmarket strategy by detailing how corporate philanthropy strategy incorporates both business and social impact, to varying degrees.

Finally, in chapter three, I develop and investigate an important tradeoff in CSR practices, distinguishing between externally-facing CSR activity and internal CSR activity rooted in firm structure and practices. I hypothesize that after experiencing controversies, firm resources will be directed toward the use of external CSR to attend to perceptual damage. At the same time, resources will be shifted away from internal CSR activities that require continual firm investment. Using a longitudinal data set on the philanthropic activity and environmental practices of Fortune 1000 firms over the years 2003-2011, I find that after environmental controversies, firms increase their external CSR (philanthropy) and decrease their internal CSR practices (pro-environmental practices). I argue that firms facing controversies are at a higher risk of misaligning their internal and external CSR. I discuss contributions to organizational theory, impression management, and social movements.

Chapter 1.

Navigating institutionally complex occupations: Accepting conflicting frames and frame switching

Introduction

A longstanding question facing organizational scholars is how organizations sustainably respond to multiple institutional demands (Meyer and Rowan 1977, Selznick 1957). More recently, a large and growing body of scholarship has explored how organizations manage tensions inherent in situations of institutional complexity, i.e., situations with competing organizational identities, forms, and logics (Greenwood et al. 2011) Existing studies often dramatize the experience of complexity, viewing competing elements as something problematic to get rid of (Reay and Hinings 2005), or something that must be constantly managed in a contested coexistence (Battilana and Dorado 2010, Glynn 2000, Pache and Santos 2010) lest organizations slip into turmoil (Battilana and Dorado 2010, Tracey, Phillips and Jarvis 2011). Much of the research on managing persistent complexity has focused on the special case of hybrid organizations that blend two, often conflicting, logics at their core (Battilana and Lee 2014, Battilana, Besharov and Mitzinneck 2017). In reality, many non-hybrid organizations serve multiple purposes and individuals within organizations regularly cross and draw from different institutional spheres. For instance, bankers may engage with communal and market logics (Smets et al. 2015), lawyers may engage with English and German legal practices (Smets and Jarzabkowski 2013), technology professionals may engage with investment and managerial logics (Zilber 2011), probation officers may engage with punishment and rehabilitation logics

(McPherson and Sauder 2013), and so on. Indeed, it may be more accurate to view institutional complexity as a common phenomenon that many organizations, and individuals, endure and perhaps even come to embrace (Kraatz and Block 2008).

In this chapter, I explore how individuals manage institutional complexity in their everyday work. In contrast to existing research at the organizational level, which has often focused on the short-term, strategic responses of hybrid organizations and their leaders (Battilana and Dorado 2010, Glynn 2000, but see Smith and Besharov 2017), I explore the individual-level practices of mid-level managers and how they manage institutional complexity that persists over time. While a growing number of studies detail the important role individuals play in navigating competing logics, extant studies have looked at cases where competing prescriptions are relatively compatible (Smets et al. 2015). I examine what should theoretically be a highly contentious case – corporate grantmakers, the professionals who are employed by a company and tasked with managing philanthropy practices and relationships between the company, nonprofits, and the larger community. By the nature of their work, corporate grantmakers are involved in both corporate and nonprofit fields, fields with incompatible norms and expectations (Gautier and Pache 2013, Himmelstein 1997, Post and Waddock 1995), yet positively impacting both the business and society is the core of their work. Grantmakers face competing prescriptions that have low compatibility and high centrality – what, in theory, should be the most contentious type of institutional complexity (Besharov and Smith 2014). Yet the respondents in this study understand their work as much less contentious than would be expected. If existing studies predict difficulty managing tension, how do corporate grantmakers successfully manage the potential conflict between pursuing both business impact and social impact?

I argue that individuals cope with potential uncertainty arising from competing demands by taking an active role in framing the competing elements of their work. Framing is the process by which individuals and groups perceiving and communicate about reality, including both how they interpret and find meaning in reality (Goffman 1974) as well as how they portray issues to others according to a particular vision of reality (Benford and Snow 2000). Adopting a framing lens to understand responses to institutional complexity is fruitful as the central insights of framing theory – that the same information or activity can be viewed from different perspectives simultaneously – is also a defining feature of institutional complex environments. Frames should be a critical component to the experience of complexity, as they are the means by which managers make sense of ambiguous or competing information from their environments (Walsh 1995). Moreover, they are resources through which individuals gain organizational influence and change how others view their work activities (Kaplan 2008). An important question, then, is how individuals facing institutional complexity draw from different frames as they interpret or find meaning their work as well as how they frame their work to important stakeholders to garner support.

To explore these ideas, I analyze data from 40 interviews with corporate grantmakers at large companies in the city of Chicago. I find that corporate grantmakers accepted institutional complexity as a part of their own everyday work and limited complexity in how they presented and interpreted their work to others. As they made sense of their goals and grantmaking tasks, grantmakers coupled competing elements, such that they broadly recognized and accepted contradictory elements and expected success in both areas. I argue that they adopted a *paradox frame* (Smith and Tushman 2005, Smith and Besharov 2017), as they were accepting of and energized by persistent tensions and viewed both as necessary (Miron-Spektor et al. 2017). As grantmakers made sense of their work to others, however, they *frame switched* between dominantly business impact frames and social impact frames to align with perceived audience preferences. In other words, they recognized that others would likely not have a paradox mindset, and therefore engaged in frame alignment (Snow et al. 1986) to present their work as either relevant to the business or relevant to society. I argue that by alternating their framing in ways that both accepted and limited paradox, grantmakers were able to successfully balance the competing demands of their work environment in a way that allowed them to satisfy multiple audiences as well as maintain their occupational autonomy.

My study extends existing scholarship in several ways. I argue that individuals can experience core, competing prescriptions regardless of whether the larger organization is a hybrid. That is, the tensions associated with hybridity are not a categorical problem only relevant when an organization is classified as a hybrid. I contend that studying how individuals in a range of organizational positions and occupations manage core, competing prescriptions provides a fuller understanding of how institutional complexity is both experienced and navigated. This redirects scholarship away from the overwhelming focus on organizational-level responses (Greenwood et al. 2011, Kraatz and Block 2008, Oliver 1991) and hybrid organizations (Battilana et al. 2015, Battilana, Besharov and Mitzinneck 2017, Jay 2013, Pache and Santos 2012, Smith and Besharov 2017), toward everyday individual-level responses at many different types of organizations. Doing so allows for the both the extension of insights garnered from earlier studies and the development of stronger boundary conditions around existing responses to institutional complexity and hybridity. Moreover, my approach answers the call to empirically explore the microfoundations of institution maintenance (Powell and Colyvas 2008) and focus on those carrying out the institutional work (Lawrence and Suddaby 2006) that allows complexity to persist.

Another contribution of this study is to position the management of institutional complexity as an agentic activity. Much existing work on institutional complexity situates organizational actors as passive conduits through which competing logics and identities pass. My approach reintroduces agency by showing how actors actively “make sense” of their occupation as well as “give sense” of their work activities to others (Gioia and Chittipeddi 1991, Weick, Sutcliffe and Obstfeld 2005). Additionally, my approach extends initial theorizing on paradox mindsets (Miron-Spektor et al. 2017, Smith and Tushman 2005, Smith and Besharov 2017). I show that individuals who are comfortable with competing prescriptions, i.e., adopt paradox frames, do not assume others do the same. Rather, individuals using paradox frames are aware that there are competing understandings and decide when to engage conflicting frames. While other research suggests that leaders who clearly articulate a paradox frame can energize their employees (Smith and Tushman 2005), I instead find that when individuals experience reduced legitimacy concerns when they oscillate their frames to align with audiences expectations.

Finally, the findings from my study offer insight into how companies structure their relationships with the nonprofit sector and larger society. Most research on corporate philanthropy positions it as a tool to generate positive financial performance (Godfrey 2005, Margolis and Walsh 2003, Wang and Qian 2011) and, historically, has offered little insight about its impact on society (Gautier and Pache 2015). Thus while scholars have long recognized that there are tensions between doing social good and business good (Himmelstein 1997, Post and

Waddock 1995), my study offers one of the first explorations of how corporate actors conceptualize and pursue social impact alongside business impact. I find that grantmakers spend a good deal of their time interacting with leaders in the nonprofit sector and are versed, albeit broadly, in the potential for grants to return both social impact and business impact. Grantmakers serve as one of the primary liaisons between the corporate and the nonprofit sector and are in position to build and strengthen channels between the firm and the community. Yet, I find that grantmakers largely dealt with firm and community audiences separately and switched frames to suit the audience, limiting the potential for greater understanding and connection that philanthropy has the potential to provide.

Responses to Institutional Complexity

Institutional complexity is the situation organizations find themselves in when they operate in an environment that supports two or more (often conflicting) institutional logics, definitions of legitimacy or worth, prescriptions for action, and audiences with differential expectations (Friedland and Alford 1991, Greenwood et al. 2011, Kraatz and Block 2008). Scholarship on institutional complexity offers insight into how organizations, and their actors, navigate such situations. This research has theorized a variety of strategies that may be considered along a continuum. On one end of the continuum, organizations completely dismiss one set of competing demands in favor of a primary institutional orientation; while on the other end, organizations perfectly blend competing demands and forge a new identity around them (Greenwood et al. 2010, Greenwood et al. 2011, Kraatz and Block 2008, Oliver 1991). As scholarship about institutional complexity developed, empirical studies shifted focus from one end of the continuum to the other. Studies initially focused on temporary periods of conflict that eventually settled with one, overarching identity and set of demands, such as when French chefs abandoned classical cuisine and adopted the logics and role identities associated with nouvelle cuisine (Rao, Monin and Durand 2003), or when higher education publishers shifted from an editorial to a market dominant logic (Thornton and Ocasio 1999). More recently, studies have focused on how hybrid organizations sustainably blend two or more logics as a part of their core identity. Social enterprises are frequently studied hybrids, as they are organizations that manage the pursuit of social missions while also sustaining their operations through commercial activity (Battilana and Dorado 2010, Battilana and Lee 2014, Battilana et al. 2015, Battilana, Besharov and Mitzinneck 2017, Smith and Besharov 2017).

In taking up the case of hybrid organizations, scholars have recognized that organizations can reduce but not entirely eliminate the tensions that come with institutional complexity. This stands in contrast to earlier studies, which positioned complexity as transitory. Yet a focus on hybrid organizations has served to dramatize the experience of institutional complexity. In much of the research on hybrid organizations, competing elements are seen as contentious, just as they are in earlier studies of dismissal, and the outlined responses for dealing with competing elements are relatively defensive. For example, Battilana et al. (2015) showed how successful work integration social enterprises handled tensions by assigning distinct groups to either social- or economic-based activities while also creating special “negotiation spaces” where structurally differentiated staff interacted and discussed trade-offs, while still maintaining their home logic. Their case study suggests that hybrids may be composed of competing fractions that remain primarily compartmentalized. Other studies suggest hybrid organizations can manage tensions without compartmentalization, but it may require a new workforce. For instance, Battilana and Dorado (2010) detailed how a commercial microfinancing organization adopted a blended identity – and avoided potential tension between subgroups that could have subscribed to either a banking or development logic – by hiring workers without prior allegiances and socializing them in sync with the blended identity. Overall, these responses also point to the inherent challenges and costly strategies required to sustain a hybrid core identity.

While true hybrids, like the oft studied social enterprises, are relatively rare, scholarship on how non-hybrid organizations manage persistent complexity similarly highlights a defensive approach to managing tensions. For example, Reay and Hinings (2005) depict hospitals in a state of "uneasy truce" between medical professionalism and business-like healthcare and Dunn and Jones (2010) portray medical schools as consisting of compartmentalized professionals that adhere to either logics of science or care. Similarly, Binder (2007) presents a transitional housing agency as consisting of three compartmentalized departments that had strong commitments to different logics – the housing department strictly adhered to funding guidelines, the family service department followed social service action, and the child care department blended professional caretaker demands with federal rules – yet the organization, overall, worked for "love" of their low-income clients and the need for federal "money." These responses suggest that to manage complexity, organizations may be best served by separating competing logics, practices, and their associated champions allowing for only minimal amounts of interaction or integration between the groups.

With the emphasis on how *organizations* address competing demands via separation and (minimal) integration of groups, much existing research overlooks the fact that *individuals* can be beholden to multiple institutional spheres simultaneously. A growing body of studies has begun to close this noticeable gap by looking inside organizations at the role that individuals play in managing complexity. In moving from the organizational level to the individual level, scholars present individuals as taking a more active and less defensive approach to managing complexity (Jarzabkowski et al. 2013, McPherson and Sauder 2013, Smets and Jarzabkowski 2013, Smets et al. 2015). For example, McPherson and Sauder (2013) showed how four different actors – probation officers, clinicians, public defenders and state's attorneys – drew from four different logics – punishment, rehabilitation, community accountability, and efficiency – as they took positions and constructed arguments about criminal sanctions. McPherson and Sauder argued that individuals exercise a great deal of discretion as they draw from logics as "tools" to help them reach consensus in court. Yet even in this case, individuals are largely seen as adhering to one dominant "home" logic and dabbling in other logics when it works to their benefit, rather than having a blended core (McPherson and Sauder 2013). Perhaps closest to the present inquiry, Smets et al. (2015) explored how bankers engage in both community and market logics as they work communally with other bankers (community logic) while also trying to obtain the most profit for their individual firm (market logic). The authors portrayed individual bankers as engaging in both logics simultaneously, while the relative dominance of the logics shifted with the specific context. When around peers, bankers emphasized the communal logic but brought in market elements; while at their home firms, bankers emphasized the market logic but brought in community elements. Smets et al. (2015) provide one of the first examples of how individuals blend and balance two "home" logics. However, that particular case of navigating complexity covers a relatively coherent set of actors within the same overall organizational field.

The bankers who together formed the community where the community logic dominated (with nicknames and dress codes) were also working for banks that wanted to increase profit. Given that compatibility between the two logics is relatively high, we may expect that the conflicts between the bankers' sense of community and the market pressure of their individual firms would be "relatively coherent-yet-conflicting," as the authors found.

What is missing is an understanding of how individuals manage complexity when we would expect tensions to be at their highest: when competing prescriptions are central to an individual's role, but not compatible. Competing prescriptions vary in their degree of compatibility – the extent to which they prescribe consistent organizational action – and centrality – the extent to which the prescriptions are core (Besharov and Smith 2014). When competing prescriptions are high in centrality and low in compatibility, organizations experience contestation and extensive conflict (Battilana and Dorado 2010, Besharov and Smith 2014, Glynn 2000). We would expect the same to be true for individuals within organizations. When an individual works across organizational fields or across constituents, and depends on both groups for legitimacy and survival, the logics supported by those groups should be highly central. To the degree that those constituents or fields provide contradictory prescriptions for actions, we would expect individuals to experience contestation and conflict much like organizations do. In theory, individuals who work in such positions should experience similar difficulties to hybrid organizations: uncertainty around the norms and rules, trouble coordinating across the organization, difficulty bridging groups, and reduced legitimacy (Battilana and Lee 2014). How do actors sustain institutionally complex occupations with potentially combative and competing demands?

Scholarship on framing, or the process by which people develop a certain way of thinking about or conceptualizing issues, offers a promising way of thinking about this question. Framing theory posits that issues can be viewed from a range of different perspectives. Frames are the "schemata of interpretation" that help people understand events or issues as meaningful (Goffman 1974: 21). Framing is an active concept as it "implies agency and contention at the level of reality construction" (Benford and Snow 2000: 614). One element of framing concerns how individuals interpret reality. In the organizational context, this involves how managers understand and enact their organizational environment (Daft and Weick 1984, Fiss and Zajac 2006, Reger et al. 1994). Because frames provide a way to make sense of ambiguous or competing signals (Kaplan 2008, Walsh 1995), frames are particularly relevant to organizational actors facing institutional complexity.

In addition to helping individuals interpret their own organizational environments, a second element of framing concerns how actors communicate to shape how others interpret reality. Social movement scholars have long argued that actors use frames to influence how others interpret events according to particular visions of reality (Benford 1993, Benford and Snow 2000, Haines 1996, Hunt, Benford and Snow 1994, Snow and Benford 1988). For example, social movement activists organizing for nuclear disarmament debated the best way to present reality to maximize the "mobilizing potency of their interpretive work and thus their relative success" as a movement (Benford 1993: 691). Specifically, they debated who to include as speakers at rallies and whether it would be more credible for them to present themselves as confrontational or as "reasonable people" similar to other residents. From this vantage point, skilled actors shape the frames of others to engage and mobilize people around certain stances, policies, coalitions, or corporate strategies (Fiss and Zajac 2006, Gamson and Meyer 1996, Kaplan 2008, Snow et al. 1986). Using a similar logic, the frames that individuals facing institutional complexity deploy are important because the process of framing provides rationalization or legitimation for their actions that might otherwise be misunderstood by others. The frames that individuals facing complexity adopt are thus likely to impact the extent to which various stakeholders understand and support their efforts. Framing may allow others to perceive seemingly incompatible elements to be viewed as compatible, or for some competing elements to be viewed as more important. An important question, then, is how individuals facing institutional complexity frame their circumstances and how they deploy frames as they interact with key constituencies.

Data and Empirical Approach

Research Design

To explore how individuals in institutionally complex occupations navigate and frame competing tensions in their everyday work practices, I employed the qualitative methods of interviews. Qualitative methods are uniquely suited to help illuminate the process by which complex practices, like managing competing frames, occur (Kaplan 2008, Yin 2003). Narratives obtained from interviews are particularly useful for gaining insight into how people understand their environment and what meaning individuals ascribe to everyday practices and interaction (Lamont and Swidler 2014, Weiss 1995).

Case Selection

Corporate philanthropy offers a beneficial setting in which to study enduring institutional complexity. Professionals who work in corporate philanthropy, whom I term corporate grantmakers, are tasked with donating charitable funds from the business to various nonprofit recipients. Corporate grantmakers operate in the corporate field, as they are employed by, funded by, and ultimately overseen by their corporate parents. Corporate grantmakers also operate in the nonprofit field, as they are in continuous communication and collaboration with nonprofits as grant recipients, and with other charitable leaders. These fields are governed by different logics, respectively the corporate and community-impact logics, two logics that are seen as highly incompatible (Besharov and Smith 2014). Though corporate grantmakers work at the intersection of the corporate and nonprofit fields, it is important to note that they do not work in a hybrid organization. While they work in a type of "hybrid occupation," or an institutionally complex occupation, they are employed by and depend on funds from a company that has no intention of blending business with charity at its core, yet they themselves cannot drop one set of demands and exclusively favor another. Dismissing the business aspects may cause the activity to become obsolete at the firm, while dismissing the nonprofit aspects risks appearing disingenuous or dishonest, having the opposite impact on corporate image than desired by engaging in philanthropy in the first place (Godfrey 2005). Moreover, the set of corporate stakeholders to whom grantmakers attend – including employees, consumers, executives, nonprofit organizations, and more – has diverse interests. Corporate philanthropy thus presents a ripe case for studying the everyday management of competing tensions, as grantmakers are typically mid-level managers who are in perpetual balance between the demands of the corporate and nonprofits fields (Gautier and Pache 2015, Himmelstein 1997). Indeed, others scholars have suggested the importance of this setting for exploring the management of institutional complexity (Gautier and Pache 2015, Greenwood et al. 2011).

Interview Sample

I sampled a panel of relevant experts (Weiss 1995) working as corporate grantmakers at large companies in Chicago. All respondents oversaw the day-to-day decisions and functions of corporate philanthropy. The sample was derived with two sampling methods. First, a purposive sampling strategy (Rubin and Rubin 2012) was designed to include the largest Chicago-area companies with a visible philanthropy program. The largest and most prominent companies were chosen as these are considered the most influential and potential trend setters within philanthropy (Tilcsik and Marquis 2013). Companies were identified using Fortune's list of the top 500 companies, generating a list of 61 possible companies. Every corporate grantmaker with publicly available contact information was invited to participate in the study. After each interview, respondents were asked to provide additional grantmaker contacts. As such, the sample also grew by "snowball."

The combination of sampling methods yielded a total of 40 interviews from 32 different companies. The total number of respondents is larger than the number of companies because some companies employed multiple grantmakers and more than one grantmaker agreed to an interview (note: never more than two per company). 22 of these companies came from the original purposive sample of 61 companies, and 10 other large Chicago-area companies were added via snowball. The 10 additional companies were in the Fortune 1000 or S&P 1500 and had a large office in Chicago, though occasionally their formal headquarters were located in other states. Respondents included 33 (82.5%) women and 7 males (12.5%). Respondents ranged in age and tenure with the company. The majority of respondents began their careers in other corporate functions and later moved into corporate philanthropy (n=28; 75%), though some began their careers in the nonprofit sectors (n=12; 30%). Of those with a nonprofit background, many transitioned from a position in corporate fundraising (n=7). See Table 1 for a breakdown of respondent background by gender and field. Most respondents reported that their career training consisted of picking up skills “on-the-job,” networking with peers, and attending local donor meetings. Some also attended national grantmaking conferences and courses at the popular Boston College Center for Corporate Citizenship.

----- *Insert Table 1 about here* -----

Most corporate grantmakers worked on a team, though three respondents worked alone. Team size ranged from one to twelve, with an average of four people. Larger teams generally had three grantmakers and smaller teams had one grantmaker. On smaller teams, grantmakers oversaw the entirety of the funds donated, and also often ran employee volunteering programs. Larger teams consisted of multiple employees with some grantmakers and other professionals that managed volunteer programs. All respondents for this study had oversight of corporate donations and were in charge of both direct giving as well as giving by any associated corporate foundations, if the company had both.

In-depth Interviews

During interviews, grantmakers were asked general questions about their day-to-day activities, funding practices, how they thought about success, and reporting their work. Rather than assume tension between business and social impact, I asked respondents to describe their work day, grantmaking work flow, how they fit into the company, and who they interacted with (for a list of interview questions, see Appendix A). By asking questions about their work processes without directly asking how they balanced competing tensions I was able to get a more nuanced understanding of whether they experienced business and social impact goals as conflicting or complementary and how they interpreted their work, without assuming conflict. Most interviews were conducted in-person at a location of the participant's choosing, though two were conducted by phone. Interviews lasted between 45-120 minutes, with an average of about 75 minutes. Most respondents were happy to be interviewed, with one saying, "It's a happy job. We want to share our happiness and do good around the world."

Data Analysis

My analysis was oriented toward understanding the everyday action undertaken by grantmakers to balance the demands of pursuing both social impact and business impact simultaneously. In analyzing the data, I used an open-ended, iterative process where I developed themes both deductively and inductively and refined them alongside data analysis (Miles and Huberman 1994). I used atlas.TI software to organize and code the data.

My first analytical task was to confirm that grantmakers were oriented toward both business and social impact in their daily work. At first pass, I analyzed the interviews for the deductive themes of "business impact" and "social impact." These themes were deductive, as I went into the initial data analysis, and overall project, expecting business and social impact elements would be relevant to grantmakers' work. This expectation was based on existing research documenting the dual purpose of corporate philanthropy (Gautier and Pache 2015, Himmelstein 1997, Post and Waddock 1995). Each broad theme included a subset of codes related to goals, practices, and stakeholder interactions relevant to either business impact or social impact. For example, for business impact, one respondent described a goal of "supporting the corporate brand," a practice of partnering with large nonprofits visible to the most consumers and interacting with marketing professionals and corporate executives. For social impact, the same respondent described a goal of "addressing the food desert problems," a practice of supporting grassroots nonprofits, and interacting with leaders in the nonprofit sector.

I further explored whether the respondents discussed both business and social impact by looking at the co-occurrence of the codes within interviews. This process confirmed that, overwhelmingly, grantmakers pursued both social impact and business impact.[1] Grantmakers were situated at the intersection of the corporate and nonprofit fields and had strong ties to both nonprofit and corporate actors. This meant they were not only exposed to the logics used within those fields but also required to use those associated logics in their day-to-day work (Besharov and Smith 2014, Greenwood et al. 2011). Overall, this initial coding process lent strong support to the expectation that corporate grantmakers experience both business and social impact as core or central to their work.

[1] The exceptions were two outliers who expressed essentially no pursuit of business impact, meaning 95% of the sample explicitly pursued both social impact and business impact. Yet even in the outlier cases the subject areas of grantmakers donations were related to the field of the business practice.

Next, I used inductive coding to generate new insights from the data about how grantmakers responded to the simultaneous pursuit of social impact and business goals. I coded interviews with a focus on the framing grantmakers used when describing competing prescriptions. Following standards in frame analysis, I looked for how grantmakers created what "packages of meaning" to link together ideas or elements of ideas.(Creed, Langstraat and Scully 2002). Specifically, as I coded interviews, I looked for points of consistencies and inconsistency in the ways grantmakers used metaphors, exemplars, catchphrases, and appeals to principle (Creed, Langstraat and Scully 2002, Gamson and Lasch 1983). This process resulted in two over-arching themes that emerged from the data. I used quotes from the actual interviews to describe the initial themes, as salient statements and soundbites are central to frame analysis.

The first theme, "I love being able to do both," was used for data on how grantmakers discussed their own professional identity and goals as consisting of both corporate and nonprofit elements, broadly construed. This pointed to grantmakers' comfort with simultaneously pursuing seemingly incompatible elements. This theme served as the basis for the conceptual category of *paradox frames*, a concept used to describe how grantmakers accept and even embrace frames with persistent competing tensions, rather than trying to avoid or resolve them (Miron-Spektor et al. 2017, Smith and Lewis 2011). The second theme, "speaking multiple languages," was used to capture data about how respondents perceived audiences to understand their work as either primarily business-oriented or social impact-oriented and how they framed their work to others in a way that matched the audience's dominant understanding. This theme pointed to how grantmakers segmented or compartmentalized frames to make sense of their work for different audiences so that others did not experience institutional complexity. This theme served as the basis for the conceptual category of *frame switching*, which I use to describe how grantmakers deploy different dominant frames to match their audience understanding in a way that limits the need for others to adopt a paradoxical mindset.

Findings

Below I describe how grantmakers both 1) adopt a paradox frame for themselves by broadly accepting tension between competing demands and 2) prevent others from needing to adopt a fully paradox mindset by switching their frames based on the situation and audience. I then discuss how the tandem of paradox frames and frame switching sustains occupational complexity while limiting organizational complexity.

Adopting a Paradox Frame for Self

Rather than viewing the social and business demands as either tightly blended or demarcated, as is the view promoted by research on how organizations navigate institutional complexity, I find that grantmakers adopted a paradox frame where they broadly coupled elements from both sets of demands. Paradox, more generally, is defined as the persistence of both contradiction and interdependence between elements (Schad et al. 2016, Smith and Lewis 2011). The idea of a paradox frame has been put forward to describe the extent to which one can "recognize and accept the simultaneous existence of contradictory forces" (Smith and Tushman 2005: 526). Others have labeled this a paradox mindset, adding that one can both accept and be energized by tensions (Miron-Spektor et al. 2017). Adopting a paradox frame or mindset represents a different approach to responding to institutional complexity than typically portrayed in the literature, as it suggests that individuals can accept and embrace competing elements rather than attempting to limit tensions. That is, rather than defensively blocking or compartmentalizing elements, individuals with a paradox mindset accept paradoxes as “persistent and unsolvable” (Smith and Lewis 2011: 385).

The use of a paradox frame by grantmakers is evidenced by how they viewed their work as broadly inclusive of both business and social impact. Yvonne[2], for example, described her work in the following way, “In a nutshell, my job is to make sure that we are supporting the business by supporting the communities where we live and work.” Similarly, Therese said, “So, you know, our – my job is to make sure that we are writing grants with nonprofits whose mission aligns with the business that we do here.” Amanda said her job involved “making sure the company is a good corporate citizen, making sure that we are giving back and reinvesting, and supporting the people who support us.” As they reflected on their particular situation, grantmakers highlighted that they were doing work with *both* social impact *and* business impact in a way that is “aligned” or coupled.

Respondents understood that business impact and social impact were not necessarily consistent, yet they did not describe great challenges in reconciling contradictions between “doing good for the community” and “doing good for the company.” Rather, they expressed both *acceptance* and *comfort* with paradox (Miron-Spektor et al. 2017). In other words, they recognized that there were some competing elements that made their work potentially challenging but they were able to reconcile these challenges. Consider how Allison, a grantmaker at a large bank, described her excitement about her job.

[2] All names are pseudonyms.

> I love being able to do both. Like it's great to – obviously to be able to give back to the community and like have some resources to do that. And like some influence, like I can go to a program and like if there's an agency that's doing like awesome, awesome work, great leadership, huge impact, but they like don't perfectly align with our guidelines but like you can definitely explain it, we would – we can fund them. Like I can advocate to fund them and I can fight for them and usually we can get then some money. And then on the business side – yeah, it feels – it can feel really good. On the business side, it's really good to know that like okay, I am part of a corporation, I am making an impact on the bottom line and like actually, here's how we align with the strategic goals, like we belong here, we're not just like the charity, fluffy like you know, fun side.

Allison loves her job and how it allows her to have both social impact and business impact simultaneously. In her case, the business impact was related to growing and retaining new clients. She said it "feels really good" to be able to have a dual impact. Allison did not hold simultaneous conflicting or opposing judgments about both sets of impact. Her account is indicative of how grantmakers are accepting of both areas rather than viewing them as contentious.

Other grantmakers described their work as challenging in a positive way. For instance, Michelle explained that people external to their positions often assumed their job was "fun and games." Michelle said that in reality her job could be a "pain" even though she enjoyed her work. She continued, explaining that outsiders "don't understand there are some challenges with giving out money too. It can be enjoyable but businesses make it complicated generally. It's hard to do mission-driven work in a non-mission-driven organization." Similarly, Rebecca, a grantmaker at an insurance company, said she was "really energized and excited and challenged by what I'm doing." When asked what is challenging about her job, Rebecca did not need to wait for me to finish the question before chiming in:

> Competing expectations and needs. Actually, I'm going to send you something that I just – I cracked up – this tool came out from a consulting group around CSR

> [Corporate Social Responsibility] strategies, so super timely for me and totally helped me think about like taking strategy and just breaking it down into, you know, some simple steps. But the little paper opens with "Suzanne just got her dream job running, you know, a community department for – I don't know, whatever company. She couldn't wait to, you know, start managing that budget and influencing the community. And then it articulates the CEO is interested in a local symphony, the head of HR is worried about employee engagement, finance is worried about what the ROI is." I mean, it's a lot and then all of the ideas and inquiries. But yeah, so I – every day's a juggle at re-prioritization. So it's kind of two sides of the coin because I love – I love the variety at my job but it's also difficult.

Rebecca described a workload that included competing demands, using a story about fictional grantmaker Suzanne to explain how grantmakers need to respond to different audiences. Not only did Suzanne – and thus Rebecca – need to make an impact in the community, but she learned she had to balance different business-oriented demands. Rebecca said her work was "not straightforward" and described her work as "difficult," yet she loved the "variety" of different areas she is involved in. Grantmakers recognized that tension exists, yet rather than become discouraged or try to rid competing elements, grantmakers accepted and often embraced the challenge and strove to achieve at least some level of social and business impact.

An important part of the paradox mindset adopted by grantmakers is that the competing elements were pursued in a broad combination that preserved flexibility as they worked through contradictory elements. This was true in how they described their work as broadly doing both good for the business and good for society, as well as when they broke down their goals into subcomponents. Grantmakers often had roughly defined goals that allowed them the flexibility to ascribe both business and social impact to their activities. For example, Denise, a grantmaker at a large manufacturing company, shared that her goals to achieve both business and social impact were not well-defined, "It's not that – that specific." When pressed on why, Denise explained, "Because CSR is so overarching," indicating that it was difficult to tease out what exactly was a business goal and what exactly was social impact goal since she thought of her work as doing both. Denise excitedly described several new partnerships with nonprofits, including a job-training program that equipped low-income people with the skills needed to work in a manufacturing plant like her company's plants. She offered this as an example of a partnership that was both helping the company and the community.

Others broke their goals down into subcomponents that recognized distinctions between either the pursuit of business or social impact, while their overall grant portfolios included both types of impact. Sharon, for example, said her team's purpose was to "look out for community, support the brand, and the employees." Sharon elaborated on these stated goals.

> We have our stated goals. We have a three-prong official strategy, right? So, they are very broad based like, it's empower the community. So, empowering the community is really looking to forge those relationships with leading nonprofits that are making a big difference. Second one is, supporting the brand. So that's where the sponsorships come in. That's where positioning our executives on board to be a spokesperson, to give speeches, to give quotes that can be inserted into Crain's articles [local business periodical] or whatever it is, right? So, we can use our nonprofit support as a platform for visibility so that definitely goes up. Then the third one is more of an internal focus, those were external, this one is to engage employees.

Here Sharon described how their three stated goals are, broadly, to empower the community via nonprofit donations, support the brand through those nonprofit donations, and engage employees through those nonprofit donations. A donation to one nonprofit ideally does all three things, hitting the "sweet spot" between multiple goals, but Sharon considered grants that covered one or two of her three areas. Sharon referred to her goals as "very broad based" because she retained the flexibility to determine how grants fit into the three goal categories. For example, Sharon could argue that nonprofits engaged employees if they provided direct volunteer opportunities, if they gave them access to a free museum day, if they developed their skills, if they matched an employee network group such as the Veterans Networking Group, and so on. Thus, it was relatively easy for Sharon to “stretch” grants so that they fit with her stated goals, at least with minimal conformity.

In summary, grantmakers adopted a paradox frame as they approached their work in the way that they recognized, accepted, and worked through two seemingly incompatible purposes that prescribed alternative courses of action. Grantmakers felt comfortable pursuing both social impact and business impact simultaneously. The broad inclusiveness with which they labeled grantmaking activities as relevant to both the community and the company also meant there was room for the simultaneous coexistence of disparate viewpoints, as I will show in the next section.

Frame Switching – Limiting Paradox Frames for Others

While the description above portrays grantmakers as fluidly combining competing prescriptions, albeit quite broadly, grantmakers also actively recognized that others might not understand or appreciate the simultaneous pursuit of business and social impact. This latent tension became salient when grantmakers reflected on how others perceived the purpose of their work. When interacting with others, grantmakers alternated between the primary framing used to justify their work, i.e., framing their work in *either* a dominantly business impact *or* community impact logic, but seldom both. I term this practice of switching frames based on perceived audience preferences *frame switching*, as grantmakers chose between competing elements, depending on what was most relevant to a given situation and its referents.

In defining frame switching, I draw from sociolinguistic scholarship on code switching (Auer 1984, Blom and Gumperz 2000, Heller 1988a). Code switching is used to describe how the same individual alternates between languages, such as speaking both Spanish and English, within the same conversation. Individuals also code switch when they change their language variety or dialect as they switch across boundaries of race, ethnicity, or "language community" to either blend in or demarcate their identities (Rampton 2014). For example, multiracial adolescents in Britain switched between Creole, Panjabi, and English as they interacted with each other, teachers at school, and youths from other backgrounds, moving across social and ethnic boundaries as they crossed (Rampton 2014). Code switching surfaces the idea that individuals must negotiate legitimacy in their encounters with others who may belong to different groups. Similarly, I argue that in frame switching, individuals must interpret the context of their interactions, recognize the distinct boundaries between different audiences, and switch between appropriate framings to best fit with distinct groups. While frame switching can involve adapting language and language varieties, the primary focus is on contextualizing and conveying information in such a way that audiences can connect it to what they already know. Aligning projected frames to the existing frames of audiences is a key part of the process of constructing meaning (Benford and Snow 2000, Goffman 1974).

The need for grantmakers to perceive audience preferences is described by a grantmaker named Ginny who explained the need to relate to others in different ways:

> You have to be able to relate to everyone. You can't be the overly sappy nonprofit person because no one will respect you. You can't be the overly corporate person because then nonprofit and community people can't relate to you. You have to be the jack of all trades in that way.

Ginny's quote reveals a sentiment shared by many, namely that corporate grantmakers have multiple audiences to whom they must relate, and these audiences relate to their work in different ways. If they frame their work as too "corporate," or provide a heavily business-framed justification for their work, they risk alienating those that are more community-minded. However, if they are "sappy," or provide a heavily community-based justification for their work, they risk alienating those that are more corporate-minded.

Grantmakers perceived that different groups viewed their work through the lens of a singular or dominant logic, but not both logics. Grantmakers often interacted with several internal groups (departments, leaders, employees) and external groups (nonprofit leaders, community members, consumers, other companies). Brenda, who leads a team of corporate philanthropists at a bank, described how they had to "manage all around" to relate to the different internal and external groups. She said:

> You have to wear every hat in the box and run with it. You gotta speak executive language, you gotta manage up and down and all around, be an expert or a know-it-all in a lot of different areas. It's funny when people are applying for jobs and wanna get into CSR, they're like, "I just love volunteering. I just wanna get out and save the world." That's awesome. But I need a killer in finance. I need someone who can take apart a database and put it back into shape. I need communication people. Your heart and passion is secondary, there's lots and lots of work.

Brenda cautioned against grantmakers adopting an overly-nonprofit focus that outsiders often project to the work of corporate philanthropy, and instead favored a team with diverse business skills. "We touch all the departments," she said, adding, "We're always negotiating." When asked to describe the negotiating, Brenda explained that her team has to find a way to showcase their value in different ways to different departments. She sees her team's success as a result of the flexibility they display in this area, adding, “I mean, we’re like marketing gurus,” to describe their ability to relate to different departments.

Brenda worked with a local consultant to learn how to relate better to the company when she saw her team needed more support and funding from leadership. This consultant instructed her how to frame her work as something the executives would care about. The consultant facilitated conversations with executives, came back to Brenda with the data, and shared, “Look, your executives need this and this, so let’s show them that you’re aligning with them. You’re not just spending a lot of money on things that don’t really matter.” Brenda said she keeps her “eye on” this alignment at all times to ensure her work is framed in a way that executives understand and support.

Rebecca provides an example of how corporate grantmakers draw from alternate logics as they relate to different audiences. She described the necessity to, as she put it, “speak different languages.” When speaking to executives, Rebecca deliberately left out “warm-and-fuzzy” stories. “They don’t want you to come in and be like, ‘Oh we made a grant and this one family came and their little son Jimmy was crippled and he can walk again.’” She downplayed the stories for the executives, not because they do not care but because they care more about “how our budget and our strategy make sense.” “All they care about and need to care about is making money. Shareholders, compliance, bonuses, drive, drive, drive.” She intentionally did not include pictures of “smiling families” and anecdotes about “crippled Jimmy” when she presented information to the executive team. Instead, she presented documents and spreadsheets that were “all tactical,” describing aspects of their work like the percentage of employees they motivated, where executives are making connections on common nonprofit boards, and areas of opportunity to reach new consumers. When describing her recent meeting with the executives, she said the conversation "was in executive language as much as possible and showing value and making it in a language they could understand."

By contrast, when presenting information to employees or consumers, Rebecca used a softer, more narrative tone and a focus on social impact. It is here where she highlighted the stories of "crippled Jimmy" and included pictures of "smiling faces." When engaging with these groups, she did not share business justification about networking opportunities or deeper connections made with clients. "It would come across poorly. They want to hear about making a difference," adding that the employees and consumers want to feel "warm-and-fuzzy" about the company. Thus, Rebecca deliberately uses very different language and imagery when describing her work with executives compared to employees and community partners. When Rebecca presents her work to executives, she operates in a predominantly business impact logic, and when she presents her work to community members and employees, she operates in a predominantly social impact logic.

In a similar way to Rebecca, Roxanne described how the same piece of information could be framed under either a corporate or a nonprofit logic to meet the preferences of different groups. "I think the metrics change depending on the audience that we're talking to – [laughs] – you know?" She added, "You kinda have to balance your audience with what metrics you provide." Roxanne considered her philanthropic metrics to be "minimal," yet they were robust enough that she could "balance" or frame them to fit the particular situation. She gave an example of one "metric," the number of hours employees spent volunteering at a given nonprofit, and how audiences may differ in their perception of that metric. "Some people are not interested in volunteer hours because they may look at it and say, 'How does that have anything to do with the business?' whereas somebody else is like, 'Oh what a great company we are.'" Sharing the same metric with different audiences can lead to vastly different interpretations if not framed correctly for the audience. Roxanne gave the metric different meanings based on the audience. For her leadership team, she framed volunteer hours as evidence of "engaging employees" and "increasing awareness among potential consumers." Conversely, for nonprofit leaders, she framed volunteer hours as evidence of the company's "commitment to social change" beyond just dollars.

Janet also presented the same information with a different frame. She said "we message to different stakeholders in different ways," and gave the example of the previous Friday when she had back to back meetings with different groups.

> And then I did a presentation to another employee group that same day and they were almost the same slides, but they're slightly different, you know? They're slightly different. When I'm presenting to employees who are not management, I talk more about volunteerism and you know, what it means to get out in your community and why we want you to be engaged and how we can get involved with these non-profits. When I talk to our GMs, I talk about ROI and what this means for the business and reputation and why we donate and you know, that it's not about nice, happy, you know, non-profits but it's about our reputational interest. And when I talk to our community partners, it's about, you know, what can we do for you and how are here for you and how are we communicating with one another. So, it's the same message but it's a different take.

Janet and Roxanne's example shows how grantmakers deploy multiple frames with nearly identical information. Deploying these different frames, her "balancing act" as Roxanne called it, allowed them to remain adaptable to different situations.

Michelle, the head of a corporate foundation for a consumer-facing company, provides a compelling example of how grantmakers adapt the emphasis of business and social frames for different audiences. I present an extended example from Michelle to depict how one professional must weave in and out of the demands of different groups. Michelle's company had recently begun supporting hunger-related initiatives. With nonprofit leaders outside the company, she felt she could discuss "real systemic change." They had conversations about tackling the root causes of hunger, how to set up safety nets, and innovative ways to solve hunger, saying "we study the issue a lot." Michelle had recently spoken with a program leader at a hunger-related nonprofit. Their discussion was about "things that are sustainably solving a problem and are focused on innovation on this issue, because there's not a lot of innovation in the hunger space in general."

Yet Michelle limited the depth of this social impact discussion when speaking internally. Consider her deliberate phrasing around hunger with employees. While she used terms like "food desert" and "malnutrition" with nonprofits and community advocates, she did not use those words internally. She said her fellow corporate employees do not understand the definition of a food desert and infrequently visit areas that lack grocery stores. To keep them happy, she has to talk about "feeding babies." Michelle preferred small, grassroots organizations. When asked if they had funded any small, grassroots organizations, she replied:

> Yeah. I just don't talk about it as much because, one, [the employees] probably don't care and two, I don't want to have to explain too much. [Nonprofit A] is a phenomenal organization. It's a national organization that does work around food deserts. They do work in regards to healthy corner stores, farmers markets, produce carts, policy development when it comes to actually getting retail grocers in food deserts. Really systematic policy changes and shifts to sustainably address the food desert problems. All those words I could not use here. They're like, "We want to feed the babies." My whole approach can't be just policy change. People don't want to know all that. They want to feel good. They want to feel good about what the company is doing. So, I can't just say, "We're doing all this policy change," without "We're feeding a million babies." Giving babies food is the most important. It's that constant balance, which I find mainly because I actually know what I'm doing in this space, of real systemic change and what will this organization understand.

From Michelle’s vantage point, the employees have a more general and abstract understanding of wanting to do and feel good. Since “feeding babies” makes them feel good, she limits details about systemic change efforts. When Michelle posted stories to the employee website, she presented information about how many children were fed in a “colorful write-up” with “heartwarming pictures” so employees can “get it” and “feel good about what they do.”

Similarly, Michelle uses very specific language when sharing her corporate philanthropy work with consumers. She explained, “I can’t overdo it on the poverty thing,” meaning she cannot place too much emphases on the relationship between hunger and poverty and solutions. “Perfect example, I can’t use the word ‘malnutrition’,” she shared, because “it didn’t resonate with consumers.”

> Hunger is okay. Everyone gets hunger. Food security is different so don’t use ‘food security’, use ‘hunger’ because people get hunger, people don’t get food security, even though it’s practically the same word but okay. Even in the words that we use, it has to resonate with folks.

Michelle has to be deliberate in her word choice to describe where the company donates money and to use language that resonates with the particular audience. She simplifies her wording with employees and consumers to make sure their corporate philanthropic efforts are easy to understand.

Michelle also emphasized different elements of business impact when speaking to corporate executives and other department heads inside the company. She said internally, she would “flip it based on who I’m talking to.” Michelle said she learned to “figure out which lever you have to pull in order to justify the work.” In other words, she tailors the justifications based on the interest of the group she is communication with. Her CEO, for example, sees philanthropy's main purpose as engaging employees. When speaking with him, she emphasized employee connections.

> All my CEO cares about is employee engagement. For him, all my language with him is in regards to millennials and millennials want to make an impact in their office and out of the office. We're the best avenue for them to do it because they can't necessarily do that all the time in their day jobs. He loves that. He is like, "Great, fantastic."

While her language with the CEO was about employees, Michelle emphasized anything that could relate to building brand when speaking to marketing professionals. "If it's marketing folks it's more of how does this build the brand? How does this make the brand look good?" She'll talk about reputation and the "positive halo" that she is working to create around the company, so that consumers and employees feel good about the company. When speaking to financial professionals, she justifies the existence of the corporate foundation as a large "turnkey," meaning ready for immediate use, tax write-off. Michelle's example shows how grantmakers adapt based on perceived audience preference.

In summary, grantmakers exhibited great fluidity in moving back and forth between business and social impact frames based on the preferences of the audience, what I term *frame switching*. Whether referred to as being a "jack of all trades," "always negotiating," or "pulling different levers," corporate grantmakers expressed that they had to read the situation at hand and determine what resonated with audience members. Grantmakers displayed the social skill of perspective taking, or the capacity to consider the world from another individual's viewpoint (Davis 1983). Grantmakers perceived audiences to hold different expectations of their work and to be steeped in different frames. Grantmakers understood employees as needing to feel a connection with social impact that is larger than their day-to-day work at the company. For them, they presented heartwarming stories of social impact. Grantmakers understood executives and other internal stakeholders as desiring business justifications and financial returns and selected more corporate language when speaking with them. They provided similar information through different frames that drew upon the audience reference points, interests, and expectations. Much like how code switching can be positioned as a political strategy where people can exploit ambiguity and say, do, or *be* two or more things (Heller 1988b), grantmakers benefit from being able to adapt their work to different groups. By practicing frame switching, grantmakers appease multiple audiences without reducing the dimensionality of their work.

Counter Example

To be sure, not all grantmakers took the same approach to navigating competing tensions brought on by institutional complexity. Amanda, a grantmaker at a financial company, did not adopt a paradox frame for herself. Instead, Amanda fully compartmentalized both goals into separate funding streams, or “buckets.” One bucket focused on strategic business partners and the other on community grants. Although Amanda managed the day-to-day activities for both, the two buckets operated entirely separate with different goals and different oversight committees. Their business grants centered around their client base, those who already banked with them and those who might potentially bank with them. Each grant was made with an eye to the overall corporate footprint (e.g., is this grant in our growing markets?), potential to develop new clients (e.g., will we gain clients from supporting this charity?), and support of large existing clients (e.g., are we pulling in more than X dollars from this client?). Amanda also oversaw community grants, which were at “the opposite end of the spectrum.” With community grants, Amanda was “looking at the actual impact that it’s making for the people who are in the communities we fund. That’s all we care about. We don’t look at relationships, board memberships, really not much of that at all. We just want to make sure they’re doing the best job among the organizations who apply.” While other grantmakers balanced pursuing social impact and business impact simultaneously, Amanda compartmentalized her work into a business impact bucket and a social impact bucket. Of her peers who neither clearly define nor separate their business and social goals, Amanda says, “they’re like talking out both sides of their head and you’re like – you know, you can’t really do anything well that way.”

Unlike the grantmakers described above, Amanda did not adopt a paradox frame because her work flow did not require her to embrace competing elements and she found it problematic to do both simultaneously. She sustained institutional complexity through complete compartmentalization of competing elements. She was able to pursue this response because her larger organizational leadership determined that decoupling competing elements was an acceptable strategy. Audiences were satisfied with their “bucket,” and the existence of the other bucket was downplayed or ignored (i.e., she still frame switched). While Amanda’s experience and response to institutionally complexity differs from those presented above, she is an outlier in the sample mainly because her executives acknowledged goal contradiction and supported full decoupling. Overall, this suggests that we ought to expect grantmakers to adopt paradox frames when they embrace business and social practices as two parts of one goal, rather than separating them into distinct activities.

General Discussion

The aim of this paper was to explore how organizational actors sustain institutional complexity in occupations with potentially combative competing demands. Extending research on hybrid organizations that pursue both social impact and economic gains to the individual level suggests that individuals facing similar tensions would experience uncertainty around norms and difficulty coordinating and bridging groups (Battilana and Lee 2014). As such, we might have expected grantmakers to feel frustrated by pursuing two seemingly disparate goals. We might have expected them to either decouple or work towards contentious blending of business and social impact, the two strategies most often adopted at the organizational level (Battilana and Dorado 2010, Binder 2007, Dunn and Jones 2010, Reay and Hinings 2005). However, I find that grantmakers partially adopted aspects of both strategies. When grantmakers reflected on their individual workplace identity and goals, they blended competing elements, which let them maintain a broadly consistent work identity (paradox frame). When they interacted with others, the competing elements became decoupled and they used different framings in different situations (frame switching). They used blending for themselves and decoupling for their interactions with others in an overall middle-ground, noncombative approach to navigating the two fields. In contrast to organizational-level responses, I present a less defensive, more agentic, flexible account of individuals moving between frames while actively supporting each frame.

Using the lens of sensemaking scholarship (Weick 1995), grantmakers decoupled the "sensemaking" and "sensegiving" aspects of their work. Sensemaking refers to how individuals socially construct meaning of their experiences, including their work experiences (Weick, Sutcliffe and Obstfeld 2005). As Weick contends, "sense-making is about authoring as well as interpretation, creation as well as discovery" (1995, p. 8). Sensegiving, on the other hand, refers to how individuals make sense of their work to others. Sensegiving is similar to "selling issues" where an individual intentionally attempts to alter how others pay attention to and understand issues (Dutton and Ashford 1993). By sharing rationales behind actions, individuals attempt to diffuse frames in a way that aligns with the cognitive templates of the audience (Snow et al. 1986). Grantmakers alternated the type of frames that they adopted for sensemaking and sensegiving. For themselves, they made sense of their work by broadly combining competing elements, framing competing elements as consistent. Yet they made sense of their work to others by separating competing elements, backgrounding or foregrounding business or social elements depending on the audience. In this regard, the interaction between individuals and the audience is a key element to framing process as actors seek to align their frames with those of others (Fine 1993, Snow et al. 1986).

I contend it is important for individuals facing institutional complexity to both integrate as well as differentiate between contradictory elements, i.e., to have frames that both accept and limit contradictory elements. A key part of maintaining institutionally complexity at the individual level, as I have presented it here and in line with other studies (McPherson and Sauder 2013, Smets et al. 2015), is the need to respond to different constituents that hold different understandings. Without the need to frame switch, grantmakers might have framed their work in a way that prioritized one logic and limited competing elements. However, because they interacted with multiple groups that championed different logics and required different frames, grantmakers were continually reminded about the multiple purposes of their work. Further, by adapting the way they discussed and emphasized aspects of their work based on perceived audience preferences for either business impact or social impact, i.e., by frequently engaging in different frame alignments, grantmakers continually articulated and recognized differences between competing elements. At the same time, a focus on only maintaining separate frames might have encouraged stubborn conflict by highlighting differences (Battilana and Dorado 2010). The flexible manner in which grantmakers framed the pursuit of business and social impact activities as broadly consistent provided grantmakers the space to construct coherent identities from incommensurable demands. Grantmakers thus adopted frames in a manner that allowed them to maintain occupational authority as well as appease various stakeholders as they effectively sustained complexity.

It is also possible to view the frame switching activities of grantmakers as the strategic use of ambiguity. Consistent with other scholars (Joseph and Gaba 2014, March and Olsen 1976, Weick 1995), I conceptualize an ambiguous action as abstract, lacking in detail and clarity, with the potential to result in multiple interpretations by others. Grantmakers fluid portrayal of their occupational identity – as sometimes more aligned with business and at other times more aligned with the nonprofit sector – indicates that they relied on an ambiguous role definition. Rather than adopting a clear detailed role identity that they then shared with others, they remained abstract such that audiences could simultaneously hold multiple interpretations about their work. Moreover, grantmakers took a surprisingly ambiguous approach to defining measurements for tracking both business and social impact, with some saying their definitions of success were “rudimentary,” “vague,” or even “non-existent.” The vagueness around tracking these impacts is unexpected, given the trend toward marketization, efficiency, and accountability of nonprofit practices (Clemens and Guthrie 2010, Hwang and Powell 2009). Yet, abstract ideas about success similarly preserve flexibility. By maintaining ambiguity in their work, grantmakers made space for the coexistence of disparate viewpoints and effective frame switching.

From this vantage point, my study surfaces an important tension around ambiguity in organizational settings that has been largely overlooked by management scholars. Organizational scholarship generally considers ambiguity a hindrance, something to be controlled and reduced. This is because ambiguity leads to confusion over how to place entities in categories (Zuckerman 1999), conflicts over role assignments and tasks (Jackson and Schuler 1985), and problems interpreting feedback (Joseph and Gaba 2014). Yet in some situations, ambiguity may be quite helpful. For example, Eisenberg (1984), a communication scholar, argued that effective communication can include ambiguous terms as “clarity is only a measure of communicative competence if the individual has as his or her goal to be clear” (1984: p231). Building from these insights, I suggest ambiguity can be harnessed as a resource for individuals facing complexity because it fosters multiple interpretations and strengthens the ability to appease various audiences, much like how organizations that tolerate ambiguity can be more adaptable and effective at handling uncertainty and change (Giroux 2006). Indeed, recent reviews of the akin concept of robust action – noncommittal actions that keep future lines of action open in strategic contexts where opponents are trying to narrow them (Padgett and Ansell 1993) – have suggested it may be a very strong response for organizations facing institutional complexity (Ferraro, Etzion and Gehman 2015). Ambiguity can thus be viewed as a resource that can be strategically deployed when there are disagreements between disparate ways of making sense of the world (Weick 1995). Rather than focusing on reduction, those facing institutional complexity may benefit from harnessing ambiguity. More research is warranted on the usefulness of ambiguity, as admittedly, the case study here involves grantmakers whose audiences do not have strong overlap. It is possible that the usefulness of ambiguity and frame switching decreases as conflicting audiences have more interaction. For example, it would be useful to examine the extent to which social enterprise leaders engage in frame switching across different internal units of their organization who have deeper and more consistent overlap than the audiences examined here.

My study encourages a shift in focus away from hybrid organizations toward how individuals navigate tensions. This is both a shift away from hybrid organizations to non-hybrids as well as a shift from the organization- to the individual-level. Perspectives on the individual are under-developed because research has taken a largely structural, organizational-level view. My study further develops the perspective that individuals within organizations do the balancing work that allows institutional complexity to exist and persist (McPherson and Sauder 2013, Smets and Jarzabkowski 2013, Smets et al. 2015). I take up a case that should, theoretically, be the most contentious of recent studies because social-impact and business-impact logics are incompatible but central to grantmakers (Besharov and Smith 2014). Yet in line with recent studies on individuals (Smets et al. 2015), I find that individuals pragmatically invoke and embody seemingly incompatible identities as a part of their everyday work. In shifting the locus of institutional complexity from the organizational level to the individual and occupational level, I encourage further research on how organizational actors vary in the extent to which they encounter and balance competing prescriptions. We have much to learn about how individuals adopt different frames as they manage complexity, particularly from those facing complex occupations. In line with work that views logics as toolkits (McPherson and Sauder 2013), I present individuals as having the agency to blend or separate competing elements to meet the demands of their work. Yet in addition to the concept of a tool, frames also serve an interpretive, meaning-making purpose in that they allow individuals to construct a coherent work identity and maintain a consistent occupational identity. Adopting a framing lens thus allows us to grapple with not only the fact that individuals draw from different logics as they conduct their work, but also how they themselves understand and give meaning to their work.

This study also contributes to initial research on paradox mindsets and paradox frames. While the study of paradox has a long history, it has only recently returned to its more psychological roots (Schad et al. 2016). Studies on paradox frames argue that people differ in whether they recognize and embrace tension (Smith and Tushman 2005, Smith and Besharov 2017) and whether they are energized by tension (Miron-Spektor et al. 2017). Initial theorizing on paradox mindsets has focused most prominently whether individuals have such a mindset, with little to say about what happens when individuals interact with others or are placed in a particular organizational position where paradox abounds. I encourage a more interactional and situational approach. Most grantmakers in this study both adopted a paradox mindset and were adept in perspective taking, suggesting that the skills or mindset to embrace tensions are related to the understanding that the mindset is not universal. To be sure, it is likely that there is individual-level heterogeneity in the extent to which grantmakers themselves felt comfortable with paradox mindsets. For example, while grantmakers were overwhelmingly comfortable with paradox frames and frame switching, one grantmaker shared that she found the constant need to frame her work in terms of business impact tiring and intended to leave the position for a career in the nonprofit sector. Exploring variation by individual background, such as the nonprofit and corporate professional backgrounds outlined in Table 1, could be one promising avenue to better understanding when one is more likely to adopt paradox framing strategies. Another promising avenue is to explore how organizational conditions impact how individuals differ in their tolerance and use of paradox frames. For instance, under conditions of organizational resource constraint and decreased slack, a paradox frame may be replaced by a frame more aligned with a given area of concern. For example, if a firm were to face financial struggles, grantmakers might temporarily shed their own paradox frame in favor of a more business-dominant frame to better align with changing organizational needs. Continuing to explore what influences the ability for individuals to fully engage in paradox frames will help us better understand both the usefulness and limits of such mindsets.

Finally, this study also raises important implications for how corporate organizations and actors navigate the pursuit of both profit and social impact. Philanthropy offers companies the opportunity to make the boundaries of the firm more permeable such that firms better understand the big issues of society and have the potential to influence them while also developing positive relationships with stakeholders. Grantmakers are in one of the few corporate-supported positions at the interface between business and society. While grantmakers are in position to be "champions of ambivalence" (Jay, Soderstrom and Grant 2017) who foster paradoxical thinking and action in organizations, the grantmakers in this study internalized paradoxical thinking but did little to encourage paradoxical thinking in corporate or nonprofit leaders. One potentially negative consequence of frame switching is that it restricts *frame shifting*. In other words, being exposed to frame-consistent information does not provide the nonprofit community a deeper understanding of core business needs nor does it provide corporate community a deeper understanding of core community needs. By frame switching, grantmakers limited the development of deeper channels between the sectors.

Overall, understanding how individuals and organizations embrace and navigate competing tensions is a more salient question now than ever, as the economy continues to globalize and organizations increasingly adopt goals that span institutional orders. This is especially true for organizations that pursue both economic and social gains, including hybrid social enterprise organizations (Battilana and Lee 2014), nonprofit organizations (Hwang and Powell 2009), and companies (Margolis and Walsh 2003). While the simultaneous pursuit of business and social impact has the potential to produce powerful results, many such arrangements fail to succeed in both areas. Consequently, identifying processes that lead individuals and organizations to thrive while embracing competing tensions is an important direction for organizational scholars and managers alike.

Chapter 2.

Uncovering corporate philanthropic strategies: How companies seek for social impact and social influence

Introduction

As corporate social responsibility (CSR) programs have diffused across the corporate sector, scholars have debated what role corporate philanthropy plays in marketing, reputation management, and profit-maximization (Brammer and Millington 2005, Burt 1983, Friedman 1970, Galaskiewicz 1985, Margolis and Walsh 2001). Yet, in their dedication to studying the motivations and consequences of corporate philanthropy, many researchers have taken for granted the process by which corporate philanthropy occurs (Gautier and Pache 2015, Wang et al. 2016). As a result, recent literature reviews have found little to report about how companies evaluate nonprofits and disburse funds (Gautier and Pache 2015). However, the practice of philanthropy necessitates that companies make decisions about which organizations to fund and how much support to provide. Because charitable funds are limited, companies must choose to support some causes and nonprofits over others and boundaries must be drawn. Without understanding how these boundaries are drawn, we can neither fully understand the role of corporate philanthropy in generating firm benefits nor its potential to impact society.

To better understand the strategies that companies adopt when they approach their philanthropy, and their associated outcomes, I argue that two interventions are needed. First, studies would benefit from a finer-grained conceptualization of corporate philanthropy that takes into account resource allocation patterns. To date, studies have adopted an aggregated conceptualization – primarily looking at dollar amounts donated – which assumes that companies can realize positive business gains by donating money to *any* nonprofit or social cause (Brammer and Millington 2005, Fombrun and Shanley 1990, Godfrey 2005, Wang, Choi, and Li 2008). Such a broad-brush stroke approach limits our understanding of how and when different kinds of donations may lead to different kinds of returns. Second, studies would benefit from a more intentional focus on the social impact aspects of grantmaking. Even while research argues that companies have played active role in the nonprofit sector (Margolis and Walsh 2003, Clemens and Guthrie 2010), management scholars have predominantly focused on the financial and reputational gains that result from donating more money. If in practice companies acted with such disregard for social impact, we should witness many more cases of stakeholder backlash over perceived opportunism than has been the case (Bae and Cameron 2006, Godfrey 2005, Jones 1995). Making these interventions would both update oversimplifications of empirical reality and open new ways of understanding of why corporate philanthropy brings benefits in some, but not all, cases.

Attending to these gaps, I develop a novel organizing framework that positions social and business returns as two central management challenges that shape how companies distribute grants. First, I theorize that companies vary in the extent to which they specialize in social problem areas (e.g., education, health, arts and culture). Some companies focus on a small number of causes, allowing them to develop deep expertise in specific social problems (specialized). Other companies focus on a diverse array of causes, allowing them to address more issues but also hindering the development of expertise in any one area (diversified). Second, I theorize that companies vary in the extent to which they focus their donations on influencing stakeholders directly or indirectly. Some companies focus on improving relationships directly, identifying particular stakeholders and choosing causes and nonprofits that are likely to resonate with them. Other companies approach stakeholder benefits indirectly, making donations without any one stakeholder in mind, but often with the idea that making donations might eventually improve their reputational standing. I put forward a framework that overlays the dimensions of issue area specialization and stakeholder specification, identifying four different ideal types of grantmaking strategies – *social impact* (specialized issues/indirect returns), *targeted* (specialized issues/direct returns), *dispersed* (diversified issues/indirect), and *social influence* (diversified issues/direct returns). See Figure 1 for a visual representation of these dimensions.

To explore how different grantmaking strategies shape how firms donate, I did something management scholars have rarely done – talk to individuals who oversee these decisions. I conducted in-depth interviews with 40 corporate grantmakers, i.e., the professionals who oversee philanthropy programs, at large firms in Chicago. During interviews, I asked grantmakers how they decided which social causes and nonprofits to support. I find that corporate grantmakers adopted vastly different approaches as they made these decisions, yet at the same time, all grantmakers believed their work added value to both the business and society. I show how variation in social cause specialization and stakeholder specification encourages a differential emphasis on social impact and social influence. In particular, companies donating across a wide variety of social problems seeking direct stakeholder returns were most likely to focus on short-term social influence gains, assuming social impact would result. By contrast, companies donating in a specialized area seeking indirect stakeholder returns were most likely to focus on longer-term social impact gains, assuming business impact would result. I discuss what the existence of multiple strategies means for the continued study of corporate philanthropy, using insights from individuals on the ground to challenge existing literature and provide fruitful ideas for future research.

Corporate Philanthropy Allocations

Existing Perspectives on Corporate Philanthropy

Several existing perspectives predict why companies donate. One stream of research portrays corporate philanthropy as a *profit maximization* tool. Early studies that tested whether corporations acted out of altruism concluded that corporations acted in light of self-interest and profit maximization instead (Ermann 1978, Fry, Keim and Meiners 1982, Johnson 1966). This work was followed by a slew of research studies attempting to establish a relationship between corporate philanthropy and financial performance. Some empirical work points to a positive link between philanthropy and profit (Orlitzky, Schmidt and Rynes 2003), while other empirical work shows little effect (Griffin and Mahon 1997, Seifert, Morris and Bartkus 2004). In a review of 127 empirical studies that spanned 30 years of inquiry on this topic, Margolis and Walsh (2003) found that overall, studies on the link between firm responsibility practices and financial performance produced mixed results. Others have found an inverted U-shape best describes the performance returns of corporate philanthropy, suggesting that there may be an ideal range of giving to yield impacts on profit (Wang, Choi and Li 2008).

A different stream of research portrays corporate philanthropy as a *manager agency* issue. These studies show that corporate giving fluctuates with the number and types of executives (Brown, Helland and Smith 2006, Werbel and Carter 2002), the socio-political identities of executives (Chin, Hambrick and Treviño 2013, Marquis and Lee 2013, Wang and Coffey 1992), and the relationship executives have with their corporate peers (Galaskiewicz 1985, Siegfried, McElroy and Biernot-Fawkes 1983, Ullmann 1985). In one of the most comprehensive early studies on corporate philanthropy, Galaskiewicz (1985) found that corporate giving was a social reward strategy such that companies, and their executives, could gain esteem among local elites. Overall, these studies argue that executives play an elevated decision-making role in allocating philanthropic resources, with some scholars arguing that executives control donations as a means of furthering their own political and ideological interests (Kahn 1997).

A third stream of research positions corporate philanthropy as a response to *community and institutional norms.* This perspective argues that corporate philanthropy is motivated by institutional pressures that emerge differently across local environments. For example, firms tend to donate larger amounts when they reside in areas with high corporate tax rates (Guthrie and McQuarrie 2008), high union density (Miller and Guthrie 2011), and areas witnessing natural disasters and mega-events like the Super Bowl (Tilcsik and Marquis 2013). Firms may even respond to the types of local social need they perceive they can be most useful in addressing (Guthrie et al. 2008, Bansal and Roth 2000). Scholars argue that firms will give similarly to their local and industry peers due to isomorphic pressures (Marquis, Glynn and Davis 2007, Marquis and Tilcsik 2016). Indeed, corporations have been shown to donate to a focal area when that area has previously been validated and legitimated by actors in a firm's local environment (McElroy and Siegfried 1986, Galaskiewicz 1985, Useem 1991).

A final stream of research focuses on motivations related to *stakeholder perceptions*. This perspective views philanthropy as a vehicle through which firms negotiate favorable reputations and positive stakeholder relationships. Research in this area contends that firms will not receive a *direct* profit increase from donations, but an *indirect* benefit through enhanced stakeholder support (Barnett 2007). Because philanthropy is one of the informational signals provided by a firm to the public, the more a firm contributes to social welfare the better its reputation should be (Fombrun and Shanley 1990). Indeed, even firms generally regarded as socially irresponsible, such as those in the tobacco and alcohol industries, receive a significant increase in reputation following philanthropic donations (Brammer and Millington 2005). Relatedly, scholars argue that firms gain insurance-like protection for stakeholder-based assets for their philanthropy, thereby protecting their bottom line (Godfrey 2005). That is, philanthropy positively influences the image of the company held by stakeholders, who then support the company with investments, consumption, and greater forgiveness in times of wrongdoing (Godfrey 2005, Miles and Cameron 1982, Wang and Qian 2011).

To summarize, although existing research has developed extensive theories about why companies donate, it cannot explain where companies donate or why they may prefer one cause or nonprofit over another. Because the purported benefits are varied and difficult to accurately measure, it is not readily apparent how these considerations translate to day-to-day philanthropic decision making. Moreover, the bulk of studies on corporate philanthropy have adopted a quantitative methodology that is unable to shed light on how strategic processes play out on the ground. Thus, at best, prior literature suggests that companies donate to causes that resonate with their stakeholders (Kaul and Luo 2016) – be it elites (Galaskiewicz 1985), general audiences (Godfrey 2005) or peers (Marquis, Davis and Glynn 2007) – with little regard for social impact.

How Companies Choose Nonprofits

In this chapter, I present a new framework for understanding how firms consider both stakeholders and social impact in their philanthropic allocations. I argue that companies face two central management challenges with their philanthropy. Philanthropic resources must be overseen in a way that increases benefits to the recipients of the donations (i.e., the nonprofit and the population it serves). At the same time, philanthropic resources must be managed in an efficient manner that garners support from stakeholders and improves the bottom line of the business. While firms are adept at making decisions about where to allocate resources to maximize profits and obtain efficiency, the challenges of managing social performance are less familiar. Additionally, since the pursuit of social impact should at least appear sincere to reap benefits (Bae and Cameron 2006, Godfrey 2005, Jones 1995), firms cannot employ the same approach they use to manage other market resources.

I develop two characteristics of corporate philanthropy programs that relate to the central management challenges: *issue specialization* and *stakeholder specification.* First, *issue specialization* concerns the variety of social problems or societal issues corporate philanthropy addresses. For example, one company may specialize in healthcare issues, while another may adopt a more diversified approach toward improving the quality of life in its area of operations, which may include healthcare, but also arts and culture, education, civic engagement, and the like. Specialization allows for the development of expertise in a given domain of social problems such that companies may be able develop a stronger understanding of the opportunities and challenges associated with solving a particular issue and operate most effectively for beneficiaries (Harvey 1999, Porter and Kramer 2002). Conversely, under a diversification strategy, companies may not develop issue-area expertise. However, they should be able to connect with a wider array of stakeholders since diverse issues of concern to stakeholders are more likely to be represented in a firm's funding portfolio (Seo, Luo, and Kaul 2018). In sum, focusing on a narrower set of social problems should maximize returns to a smaller swath of types of beneficiaries, while focusing on a wider variety of social problems should engage more stakeholders but potentially have a less deep impact on beneficiaries.

Second, *stakeholder specification* concerns how directly companies seek to impact stakeholder perceptions and relationships. Scholars have already identified that there is wide variation in firm ability to "notice and profitably exploit opportunities to improve stakeholder relations through CSR" (Barnett 2007: 803). By identifying a specific stakeholder of interest, such as a new business partner or an established supplier, companies can route their philanthropy in a way that builds direct relationships by choosing causes and nonprofits that resonate with that specific stakeholder. To the extent that a selected stakeholder has power and legitimacy to impact a given firm (Mitchell, Agle and Wood 1997), this strategy should maximize the reputational benefits of philanthropy. Yet philanthropy that appears to be directed toward swaying opinions may be perceived as self-interested, and other stakeholders could backlash against it (Bae and Cameron 2006). A different approach is to focus on indirect stakeholder benefits. In line with a stakeholder theorizing (Godfrey 2005, Wang and Qian 2011), when companies positively impact society, they should eventually improve their reputations with all stakeholders that value social impact – consumers, local government, business partners, and the like (Fombrun et al. 2000). Thus, rather than using philanthropy to further a particular business relationship directly, this approach builds relationships broadly and indirectly by first committing to doing good for society.

Using the dimensions above, I develop four ideal types of corporate philanthropic strategies that direct where grantmakers focus their attention as they make grants. The "Social Impact" strategy, as listed in the upper left quadrant of Figure 1, is a distinct type of grantmaking approach. Here social problems are well-defined and narrow, and stakeholder gains are seen as more indirect. As a result, this strategy should place the greatest emphasis on the societal impact of grants. While there are debates about whether or not companies should engage in donation behaviors without direct concern for shareholder value maximization (Barnett 2007, Friedman 1970), grantmaking focused primarily on social welfare may actually end up benefiting corporate financial performance if over time companies become known for having deep impact on a particular sector. That is, exhibiting expertise in solving a given social problem may eventually bring stakeholder credits and positive attention to the company.

----- *Insert Figure 1 about here* -----

The top right quadrant, the "Targeted" strategy, describes a grantmaking approach that is focused on narrow issues as well as direct influence on stakeholders. Grantmakers following this strategy target their philanthropic allocations such that they directly influence specific stakeholders while staying within the bounds of a specialized issue areas. Ideally, this type of grantmaking would maximize both the potential to directly influence stakeholders and offer deep benefits to beneficiaries. Indeed, it is this strategy that is often highlighted by theorists studying "strategic philanthropy" (Post and Waddock 1995) and those that position corporate philanthropy as an activity that blends paradoxical twin goals of maximizing business and social impact (Greenwood et al. 2011, Porter and Kramer 2002). This quadrant may also be the strategy favored by grantmakers in practice, as evidenced by the Association for Corporate Citizenship Professionals, which argues that both stakeholder management and tangible social impact are necessary for corporate philanthropy to generate business return on investment.[3] Because stakeholder interests are prioritized, when stakeholders and/or their interests change, companies following this approach should respond by changing the focus of their philanthropy.

The "Dispersed" strategy, in the lower left quadrant, opposes a targeted strategy in that it neither specifies an issue area nor a stakeholder group. If a firm has a wide variety of stakeholders with divergent interests and values, they might seek to donate to a range of different causes in hopes that their stakeholders will align to various causes and view the firm more favorably. Yet because there is neither a well-identified social impact goal nor a well-identified stakeholder management goal, a dispersed approach should fall out of favor as corporate philanthropy continues to professionalize. Indeed, respondents in this study referred to undirected philanthropy as lacking strategy and some called this "checkbook philanthropy" wherein one donates to causes ad hoc.

Finally, the "Social Influence" strategy, in the lower right corner, is a grantmaking approach that centers on direct influence over a specific stakeholder group. As opposed to the

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[3] As stated on their website, https://www.accprof.org, under the header "ROI of Corporate Citizenship."

social impact strategy, here social problems of interest are varied, but stakeholders are clearly identified and pursued directly. Because this strategy is focused on directly influencing specific stakeholders via a variety of different social causes, this approach should have the most emphasis on the stakeholder influence that results from grants and the least emphasis on developing a consistent approach to solving social problems. And whereas a targeted approach stays within a well-defined social cause, a social influence strategy provides the most flexibility to support the preferred social causes and nonprofits of key stakeholders. Philanthropy used in this manner is more akin to direct influence tactics that focus on improving relationships with important stakeholders but are not necessarily focused on improving societal wellbeing (Barnett 2007).

The four different ideal types of grantmaking strategies are useful for considering differences in where companies donate. It is important to note that some of these distinctions are likely driven by the business model of the firm. For example, firms that are business-to-business rather than business-to-consumer, or who operate in singular rather than multiple markets, may have fewer types of stakeholders to please and thus may find it easier to pursue a specialized donation strategy. Regardless, I contend that companies do not choose issue areas without considering the potential payoff with regard to stakeholders. In the remainder of this chapter, I investigate how these distinctions play out in practice through a qualitative study of the corporate grantmaking process.

Data and Empirical Approach

In order to investigate the processes by which companies decide which social causes and nonprofits to support, I conducted in-depth interviews with corporate grantmakers in the Chicago metro area. Qualitative methods are uniquely suited to help illuminate the process by which idiosyncratic activities, like philanthropic evaluations, occur. Additionally, such methods are well-suited to answer questions about the influence of social context, relationships, and subjective interpretations (Yin 2003).

Interview participants were recruited from Chicago, a large American city with a rich history of civic contributions. While a narrow geographic focus restricts the generalizability of the findings, limiting exploration to one city is an important analytical strategy for a few reasons. Philanthropy is often directed toward the geographic area in which a company is headquartered (Guthrie 2010), elevating the importance of local ties for how nonprofits seek funding (Galaskiewicz, Bielefeld and Dowell 2006). And because cities are theorized to have different norms around giving (Marquis, Glynn and Davis 2007), focusing on one city helps ensure that geographic-contingent features are held "constant."

The sample was derived with two sampling methods: purposive and snowball. First, I employed a purposive sampling strategy (Rubin and Rubin 2012) designed to include the largest Chicago-area companies with a visible philanthropy program. The largest and most prominent companies were chosen as these are considered the most influential and potential trend setters within philanthropy (Tilcsik and Marquis 2013). Companies were identified using Fortune's list of the top 500 companies for the year 2015. This generated a list of 61 companies and every corporate grantmaker with publicly available contact information was invited to participate in the study. Locating contact information proved to be a surprisingly difficult task, grantmakers seldom listed their emails and names on their company websites. I quickly learned that limiting exposure of their emails and phone numbers is a deliberate strategy used to avoid a "bombardment" of funding request. To generate the sample for this paper, I began by meeting the few grantmakers who listed their contact information online. One of these early contacts allowed me access to a monthly networking group for corporate grantmakers where they discussed current issues relevant to Chicago corporate grantmaking. The meetings provided an informal setting to recruit additional interview participants. Additionally, after each interview, respondents were asked to provide additional grantmaker contacts. As such, the sample primarily grew by "snowball." The combination of sampling methods yielded a total of 40 interviews from 32 different companies. 22 of these companies came from the original purposive sample, and 10 other large Chicago-based companies were added via snowball. The added companies were members of the Fortune 1000 and/or the S&P 1500 (i.e., the most widely held stocks on the New York Stock Exchange). The total number of respondents is larger than the number of companies because some companies employed multiple grantmakers and more than one grantmaker agreed to an interview (note: never more than two per company).

The 40 respondents included 32 women (82.5%) and 7 males (17.5%), which generally reflects the larger demographics of teams as reported by respondents. Respondents ranged in age and tenure with the company. The majority of respondents began their careers in other corporate functions and later moved into corporate philanthropy (n=28; 75%), though some began their careers in the nonprofit sectors (n=12; 30%). Of those with a nonprofit background, many transitioned from a position in corporate fundraising (n=7). Most respondents reported that their career training consisted of picking up skills "on-the-job," networking with peers, and attending local donor meetings. Some also attended national grantmaking conferences and courses at the popular Boston College Center for Corporate Citizenship.

Corporate grantmakers resided in different departments. Most often they rolled into communications; sometimes they were a subset of marketing or government relations; and on occasion they constituted their own department that reported directly to the CEO. As such, grantmakers were accountable to different department executives and held differing amounts of decision-making autonomy. Most were required to receive confirmation from a committee or foundation board, typically consisting of executives, when a grant totaled more than $100,000. Grant sizes varied widely – from $1,000 to $5 million or more (the largest grant was about $12 million to fund the opening of a new school). A typical grant would be closer to $25,000 to $50,000. Most gave grants for general operating funds, though some gave toward specific program-related expenses. Team size ranged from one to twelve with an average of four people. Teams often oversaw both grantmaking and employee volunteering, though the number of professionals overseeing grants was more typically one to three people. Very few respondents reported disagreement amongst the grantmakers on their teams, in part because team members typically oversaw different geographic or domain areas.

During interviews, grantmakers were asked questions concerning the overall mission and goals of the company, their individual evaluative techniques and process, their relationships with other donors, who else was included in their evaluation process, as well as how they measured and reported their work. Following the protocols of Lamont (2009) and Rivera (2012), respondents were asked specific questions about the qualities desired in a nonprofit, how they assess these qualities, and which kinds of nonprofits were well- or ill-suited for partnership. Focusing on the boundaries between those nonprofits that merit funding and those that do not is a convenient tool for making taken-for-granted assumptions of value explicit (Lamont and Molnár

2002). All but three interviews were conducted in-person at a location of the participant's choosing (three were conducted by phone). Interviews lasted between 45-120 minutes, with an average of about 75 minutes.

Data Analysis

As often happens with qualitative research, what I encountered in the field shifted the course of the research. Originally, I intended to look at how companies measured their corporate philanthropy activities in the post-grant sense. I envisioned a competitive tension between a desire to track business outcomes at the firm level on the one hand (as the management and marketing literatures suggests) and a desire to track social impact outcomes at the nonprofit or portfolio level on the other (as research on the professionalization of the nonprofit sector suggests). However, I was surprised to find that many companies measured neither. From my early interviews, I began to see that grantmakers spent the majority of their time making decisions and managing relationships. Trust was generated in the pre-grant evaluation process, such that post-grant evaluations were most frequently used as a monitoring mechanism or check-in, carrying much less weight and importance in the day to day work of corporate grantmakers than pre-grant evaluation. This discovery redirected my analysis more upstream, to how grantmakers prioritize social causes and select nonprofits.

My analytical approach was open ended and inductive (Strauss and Corbin 1997), although as mentioned I was driven by an interest in how grantmakers made decisions about philanthropic allocations. At first pass, I open coded field notes and transcripts for mentions of any type of classification scheme, evaluation process, or selection criteria that grantmakers used to determine which nonprofits to fund. The open-coding process resulted in two emergent themes: 1) *social causes,* particularly that grantmakers displayed variation in the types of social causes they championed, and 2) *stakeholders*, particularly that stakeholder relationships were an important aspect of many donation strategies, though companies varied in the extent to which they focused on directly influencing stakeholder opinion. I turned to existing literature to guide my analysis of these two early themes and provide context for the variation in the data.

Regarding social causes, I found little scholarly discussion of where companies donate so I instead turned more deeply to the interview data to explore the empirical reality. Upon deeper analysis, I noted that grantmakers held differing opinions about whether it was more strategic to spread grants out ("mile wide inch deep") or to concentrate on a few cause areas and become a "strategic champion" of those causes – mirroring a tension in the strategic management literature on corporate diversification. Second, I also more deeply explored the nature of stakeholder relationships and philanthropy. That stakeholder relationships surfaced as important considerations for funding is not entirely surprising, given current thinking on the importance of stakeholder perceptions as a mediator between corporate donations and firm financial returns (Wang and Qian 2011). Yet the scholarship on corporate philanthropy and stakeholder theory stops short of providing a theory as to how firms engage stakeholders as they make decisions. Thus, I turned again to the interview data and inductively coded the interviews with an eye to how grantmakers thought about stakeholders. Differences in the narrow and generalness of stakeholders emerged as a central theme. The emergent higher-order themes became cause specialization and stakeholder specification. Given that the themes displayed variation, I constructed an orientating framework that took both into account. After developing the theoretical framework, I then reanalyzed the interview data to both confirm strategy styles both as a proof of concept and to explore how each grantmaking strategy impacted the process of grantmaking.

Findings

The process of deciding where to fund was far from straightforward. Grantmakers were restricted not only by the dollar amount of funding they had available, but also by their ability to understand and process potential recipients. Some grantmakers reported receiving up to 30 requests for funding per day. With average team sizes of four and other work to be done, grantmakers had to implement decision practices that allowed them to make sense of a multitude of information relatively quickly. I find that grantmakers determined which causes and nonprofits to support by using issue area and/or stakeholder-based filters, meaning the subset of nonprofits that receive funding consideration were those with connections to specific causes and/or specific stakeholder groups. In what follows, I present how social issues and stakeholder concerns manifest in decision-making for each of the four grantmaking strategies. I present social impact and social influence strategies first to highlight contrast, followed by the more blended approach of targeting, and lastly the infrequently adopted dispersed strategy. After profiling each strategy, I discuss the implications for the existence of various strategies for scholarship on business and society.

Social Impact Strategy

Grantmakers following a social impact strategy made donations in a manner that focused on one or a small number of issue areas without trying to directly influence key stakeholders. In other words, they put the social impact of grants above direct business impact, though they believed that making a positive impact would ultimately improve their reputations. If a given nonprofit fell within their boundaries of concern, grantmakers would consider them for a grant. For example, Gretta[4], a grantmaker at a large food company who focused grants on K-12 education, was explicit that their process did not focus on improving stakeholder relationships directly. Rather, they focused on community impact.

> It is really important that we keep our investment strategy unrelated to business goals, meaning we want to keep the philanthropy part of it pure. We want people to understand that. The decisions that we make don't have a [direct] business benefit, I guess, is what I'm trying to say. That's really, really, really important to us because we want to be sure that people understand the decision-making that we make on the side of nonprofit in the grants is about the work, and it's about what's best for communities.

To determine what was best for communities, Gretta's top criteria included elements such as "measurement," "partnership," "evidence-based programming," and "budget." She considered a focus on influencing stakeholders directly to "muddy" the process in that it could be less fair to nonprofits that are making a stronger impact but might lack existing relationships.

Similarly, grantmaker Helen shared that the topic of the grant was the first area she looked for on any grant application. In particular, her company supported healthy families and sought to fund grants that promoted health, broadly construed. Helen said she could quickly tell which grant requests are "clearly not going to fit." When asked how she can tell, she provided an example.

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[4] Note that to ensure confidentiality, all grantmaker names were changed to pseudonyms, all names of organizations and other individuals were redacted, and the topic of issue-areas were occasionally changed.

> I would say an example of that would be like an after-school music program. That's *kind of* compelling, I mean, it's just not going to... You could make a case for why that was important. It's not compelling enough for us based on the limited resources that we have. It's important work, absolutely, but it's just not a good fit.

Helen used issue areas as a way of sorting applications into those that she needed to attend to and those that she could ignore. Grants that were closely tied to health of children, adults, or families were a "good fit" and required her attention, while those that had a less obvious connection to health could be set aside. Helen's company provided health services for families and individuals, and as such, the head of her department had worked alongside executives in determining that focusing on healthy families "made sense" for their company. Helen was clear that they did not seek "quid pro quo" benefits from funding nonprofits in this area, meaning that they did not donate to a particular nonprofit expecting direct gains, but rather tried to maximize social impact such that they would recognized as a responsible company. She shared, "There is a real intentionality about positive brand recognition, being seen as a supporter of community in lots of different ways. When I say community, I mean like broadly community." Helen explained that the "broad" community included various stakeholders – individuals that might need their services, as well as employees, peers, and the local Chicago community. By being seen as a true supporter of social impact, Helen's team believed they would ultimately create a strong brand.

Other grantmakers similarly focused on social impact throughout the process. For example, Danielle, a corporate grantmaker for a large consumer-facing health organization, kept potential grant outputs top of mind as she made decisions. She was primarily concerned with how their company's philanthropic dollars would translate to number of "bodies" helped. In other words, she was focused on reaching a large number of beneficiaries through their grantmaking. Danielle's grants were focused on community health.

> If a nonprofit comes to me and says, "We have an organization and with your dollars, we could help 300 people become educated about their diabetes, or with early-diagnosed diabetes." That would be a really cool program and I would be interested. Again, it's kinda like I need them to be able to tell me… to translate these dollars into noses… I need to know can you translate these dollars into bodies.

Danielle was clear that to be considered, nonprofits had to both relate to community health and be able to clearly reach beneficiaries. "Those are the types of metrics that we're looking for in the applications," she said. In fact, if a nonprofit was unable to communicate said outcomes, they were unlikely to be considered for grant money. When asked how she handles nonprofits that have harder-to-quantify outcomes, Danielle replied: "I hesitate how to say this… If an organization is not able to clearly tell us how they have an impact, we wouldn't fund them." For Danielle, the number of people served was the single most important criterion. It is how she categorized nonprofits into those that she should pay attention to and perhaps fund, and those that she could ignore. Similar to others, Danielle focused on social impact above all as a way to indirectly improve stakeholder perceptions. By doing so, Danielle could show various stakeholders – including customers, local politicians, nonprofits, and internal leadership – that their company "cares about real impact."

Bob worked for a large bank with a team of grantmakers also dedicated to maximizing social impact. Like others following a social impact strategy, Bob saw his work contributing to the business only when it was focused on the beneficiaries. "We keep foundation activities separate from business activities." He added, "We invest because when communities do well, especially traditionally underserved communities or reestablishing communities, then eventually [our bank] will do well." His team was focused on workforce development and technology. When his team compared grants, they made two-page summaries of relevant information, consulted topic-area experts, and debated potential grantees as a team.

> We do have sort of a summary template. It takes the whole application into a page or two pages and says these are the key things that we ask about every grant regardless of where it is in the spectrum. Budget, experience, metrics, risk, which we mean in sort of like risk that the program will work or not work. How sustainable will the program be? There's not a magic number, but we don't want to be the sole funder of some things. We also don't want to be 0.001% […] is our grant helping you do something you wouldn't otherwise be doing? Management matters to us. There's no rule of thumb, but there are organizations that have turned over a lot.

Bob's quote highlights how they made decisions based on the social impact potential of grantees. He stated, "we make decisions on what we think are the most promising opportunities." Here he means the most promising opportunities to "move the needle" for beneficiaries to create and fill more local jobs. Bob's quote also highlights a long-term time range as an important aspect of the social impact strategy. His team operated under the assumption that returns to the business would come "eventually."

Social Influence Strategy

Grantmakers who adopted what I term a social influence strategy focused on maximizing direct ties with key stakeholders throughout the grantmaking process. Here grantmakers were largely open to any social issues and instead viewed donations as vehicle for making direct connections with specific stakeholders. For instance, Catherine limited the set of potential grantees into only those that had connections to current or potential future clients. Catherine worked for a large bank that funded a variety of social issues. Catherine discussed how with every funding application, she needed to identify the relationship to key clients before they would consider making a grant. She explained that sometimes she started with key clients and worked backwards to find the nonprofits they were most involved with in order to find more potential clients. Catherine shared one of her recent success stories with this approach.

> We did like a huge analysis of who are all the clients we currently have in the area? And we had a ton, even though we didn't have an office. And who are the ones that like really like us or are really influential in the community? So, we picked like 10 people that we kind of called ambassadors. And we looked at like what boards are they on, asked them what boards should we be involved with? And I mean, [one specific nonprofit] came up so many times, so we decided to put an executive on their Chairman's committee.

Catherine's bank was seeking to break into a new market and she helped them do this by using nonprofits as one point of entry. She went on to explain how nonprofit board positions and events allowed her company to build new networks, have entertainment options, and be introduced to new clients in a way that showed clients they were "in the club" and valued the same things.

Olivia worked for a manufacturing company who donated to education, arts and culture, and local community concerns. She explained that the issue areas were broad enough that most nonprofits fit into their guidelines. When grant requests came in, Olivia classified them according to whether or not she needed to pay attention to them. I asked Olivia whether she reads the "30 pieces of philanthropic solicitations every day." She says she does, but with a screening mechanism in place.

> You know, I do. You know, I look for whose name is attached. So, if I see something that says [CEO1], who's the chairman and CEO of [Company 1], something he's involved in and they'll drop his name somewhere in the letter. Yeah, yeah. Or, it sometimes different executives will reach out directly with a phone call.

Olivia’s initial screening was heavily influenced by which other companies were also involved in the initiative. She explicitly looked for whether elite companies, peer CEOs, and peer companies were implicitly or explicitly recommending the organization. When she saw these key stakeholders were a part of the activity, she would give a request strong consideration. Olivia explained that giving in this way helped them maintain a good reputation locally as it allowed them to “maintain ties” and be “involved in the important organizations.”

Grantmakers following a social influence strategy often assumed all nonprofits were making a positive difference. Consider Jared, who works for a health-related company. He described how all nonprofits do good work.

> The reality is that I never got a funding request from the Kick the Puppies Foundation. Everybody is doing great work in their own way. You have to determine which ones are most in line. Usually those are the ones with an existing relationship.

Jared felt he could not distinguish between nonprofits on the basis of social impact, as no organization ever did bad things like “kicking puppies.” He instead turned to nonprofits that would help build relationships as they did good work.

Victoria, a grantmaker at a technology firm, was explicit about her goals to use philanthropy to build direct relationships. When asked how she determined whether or not to fund a particular request, she shared that the nonprofit’s network mattered most.

> Why we should be supporting them? So, it’s not actually the nonprofit or the event, it’s – it’s their network. They’re sitting on the board with the CEO from [company A], with the CFO from [company B], with [company C], with [company D], with, you know, all the Fortune 1000 clients that are headquartered here. And so, they’re developing those relationships, they’re hopefully getting business meetings as a result.

Victoria was very clear that her decision process was not about the nonprofit, but the network of the nonprofit. Victoria specifically detailed how she investigated who else was involved and made assessments about whether they could potentially become a corporate client for her firm. As for how this translated to day to day decision making, she said this impacted how she ranked nonprofits.

> So, we keep a list, like a top 40 list, of boards. We analyze that list and if we get a greater number of clients that are serving on some boards – like if we've got 20 people that are on [nonprofit A] versus, you know, [nonprofit B] we'll rank them.

Here Victoria explained a process that has little concern for social issue areas, as any area and approach is fine, and instead is heavily focused on identify stakeholders that could help identify new sales channels and, ultimately, the bottom line of the company.

It is noteworthy that the stakeholders of interest were not always clients. In other cases, the primary stakeholder of interest was employees. Nancy also worked at a technology-focused organization, but their philanthropy was solely directed toward maintaining strong relationships with employees. When asked about social issue areas, Nancy described a wide swath of issues and said that most nonprofits could fit in with their guidelines. However, she saw philanthropy as a way to develop more "touch points" with employees and therefore only donated to nonprofits where employees could volunteer.

> So, we have like larger pockets of areas where we have employee presence, because we want our employees to be involved, we don't want to just write a check. One of the stipulations when we're partnering with an organization is that we have to have a certain number of employees that are engaged so a precursor to getting a grant would be a plan for having employees involved.

Nancy only considered nonprofits where her employees already volunteered or where they could volunteer in the future. If a nonprofit could not provide a volunteer opportunity, Nancy would not consider it. If a nonprofit fell out of favor with employees, which had happened on a few occasions, Nancy would cease the funding support.

Targeted Strategy

Grantmakers following a targeted strategy attempted to keep both social impact and direct stakeholder impact in mind as they decided which grants to fund. Grants were given further consideration if they fell into relevant issue areas and captured key stakeholder interest. For instance, Emily, a grantmaker focused on increasing access to health care, prioritized both grants that related to health and those that were brought to her attention by an existing stakeholder. For example, she gave preference to healthcare related grants that were brought to her by her corporate executive team or employees. Speaking of employees, Emily shared:

> I will also prioritize those that have been brought forward through a local employee. So, let's say there's a nonprofit that's close to [an office location] where employees always volunteer and [an employee's] encouraging that nonprofit to apply for a grant. The nonprofit still has to do the work of applying. But under [company] relationship they are listing her as one of the main champions in the facility. They will also have priority. And again, anything that is a healthcare organization.

Emily explained that they focused on both stakeholders and healthcare causes because the combination of the two was what drove their business impact. She focused on relationships brought forward by employees, in particular, because "at the lower level," meaning the employee level, "you usually have like the sales person relationship" with different organizations. Emily explained that clients sometimes asked their company to support philanthropic events and that doing so strengthened the sales relationship. Emily cautioned, however, that a stakeholder relationship tied to a grant request was "not a funding guarantee" and that the "cause has to be really in line." She added, "So it really happens all the time that we say no even when there's a relationship. But if there is, there's a little bit more of a chance."

Theresa provides an example of how grantmakers adopting a targeted strategy made decisions about grant requests. She worked at a technology-based firm. When she compared different funding opportunities she investigated the effectiveness of the nonprofit as well as the potential for stakeholder relationship development.

> I look – first and foremost, are they a sound, financial organization, do they have impact, like is their work – can I tell by looking at their website that they're doing important work, do they meet our guidelines and criteria. Not socially or politically polarizing. Then I look at the actual opportunity. If it's an event, it's kind of like alright, who else is participating, what does that get us?

Theresa shared that each grant request that came across her desk was evaluated by two standards. First, she looked for the social impact of the work – making sure that it aligned with their criteria and guidelines for impact. Second, she looked at the "actual opportunity," meaning the opportunity to improve stakeholder relationships by building relationships with other organizations and leaders. In particular, she looked at who else was participating as a donor, as they could develop business relationships with other funders.

John worked as a grantmaker for a food company that adopted a targeted strategy. Speaking generally in favor of a targeted approach, John said:

> If you're trying to target everyone, you're targeting no one. So, it doesn't make sense for us to go out and try to do some big campaign that doesn't really target a particular consumer base or consumer demographic now. It makes sense for us to go to the consumer teams and say okay, what is – what are the "shopper moms" caring about, you know, what does the – what does the "stressed struggler" – what do they care about, you know, in their eating life and in their social life right now, you know, and looking at each of these consumer segments, and there's probably seven or so that we take that our folks are particularly focused on as it relates to our various brands. And then saying like okay, what – what do we want to do that's going to drive the needle for some level of hunger awareness, you know?

In this quote, John shared that his grantmaking was directed toward particular consumer segments, such as “shopper moms,” because otherwise their grantmaking may reach “no one,” meaning it would not influence any particular stakeholder group. At the same time, John sought to “move the needle” for hunger issues.

As John made funding decisions, he described how local hunger issues were the first concern, though at the same time he prioritized grants that improved the company’s image in the eyes of both employees and consumers. John shared, “I guess I would say the evaluation for me takes place – so focus area first, geography is second. And then I guess I would say recognition, that’s how I would – that’s how I would evaluate something.” When John looked at focus areas, he sought grants that were focused on hunger eradication aimed at specific geographic areas, as they believed that hunger is best solved locally. Some hunger relief programs were “essentially a perfect fit.” John shared examples: “It might be a backpack program, it might be an after-school feeding program like that, it might be general operating support to some of the food banks where we’re more comfortable with their overall mission.” He was particularly interested in “innovative” or “new approaches” that took a local community angle. At the same time, John considered “recognition” to be a primary decision criterion. In describing how he determined potential for recognition, he asked himself, “How do we stand out, you know, recognition wise?” For each request, he tried to gauge “how much they [the nonprofit] know about their audience,” meaning the shared audience of the nonprofit and the company. In John’s case, he was seeking recognition with current and potential future consumers of their product.

Dispersed Strategy

The dispersed strategy involves funding various causes with little regard to developing relationships with particular stakeholders. The majority of companies in the data did not adopt a dispersed strategy, although some mentioned that their company had previously worked under such an approach before professionalizing. For example, respondents mentioned how in the past there was little thought to the process, social causes, or stakeholders. Grantmakers shared that in the past, administrative professionals mostly oversaw donations as a side job of their other administrative tasks. These administrators were thought to say yes or no with what appeared to them to be little reason, though many admitted that the CEO and executives used to have much more say. Grantmakers who reflected on the "old days" of "pre-professionalized" philanthropy often expressed a disdain for the dispersed approach, with comments like, "Before I started here, no one knew what they were doing," adding that it was "not good." John called this style of grantmaking "reactive," as opposed to "proactive," in that his company previously did not determine what their big issues were and decided ad hoc who to fund. Grantmakers largely considered other approaches to be more "sophisticated."

Although no grantmakers in this sample intentionally practiced the dispersed strategy, there were instances in which grantmakers described a shift from focusing one cause area toward a variety of causes – in a sense making their philanthropy more dispersed. However, the companies who shifted in this way were relaxing the social issue areas in attempt to better meet the needs of stakeholders. Debra, who worked for a bank, had recently made this transition. She shared, "It was like, finally, you're not a sleepy company anymore." Debra felt broadening her funding areas made them more "active" investors in stakeholder relationships. "We've got our connections. We've got everyone who knows everyone on a board for this or that. You've got the mayor's office calling you, you've got all kinds of other executives chairing things." Now that her company could fund multiple areas, she could respond to direct request from key stakeholders and with added benefits like "strengthening the client relationship." Thus, although Debra switched to donating across multiple social causes, her grantmaking strategy also shifted toward more direct influence.

Using Insights from Grantmakers to Guide Future Studies

To recap, grantmakers in this study exhibited wide variation in how they considered business and social impact as they decided where to donate. I provide evidence that some grantmakers maximized social impact, particularly when they funded specialized issue areas and believed doing so would indirectly improve stakeholder perceptions. Conversely, I find that some grantmakers focused on instrumental business gains, particularly when they funded a variety of social causes and conceptualized stakeholder influence as occurring directly. Mixing a bit of both of these, I find that other grantmakers attempted to maximize both social impact and business gains when they funded specialized issue areas but believed perceptions were shaped more directly. I did not find any respondents who adopted an ad hoc, dispersed approach. That is, no grantmaker in this sample assumed that both social and business impact would result from a random selection of funding activities.

The insights from corporate grantmakers on the ground challenge several current assumptions in the existing literature and suggest new directions for empirical research. Much extant scholarship positions the decision on what causes and nonprofits to support as irrelevant, suggesting that companies should realize business gains simply by donating more money (Wang, Choi, and Li 2008). I show that grantmakers do not donate grants to *any* nonprofit in hopes of blind returns. Rather, corporate grantmakers attempt to achieve a particular blend of both business and social results by carefully and consciously selecting social causes, and subsequently, nonprofits, into their portfolios. Scholars should thus turn their attention to how differences in philanthropic strategy impact firms, stakeholders, and larger society.

One promising avenue for future research is to exploit variation in diversification across issue areas to explore firm impact. Indeed, firms exhibit wide variation in the extent to which they specialize in issue areas. Figure 2 displays the number of different issue areas firms funded for a sample of the F1000 firms during 2003-2011.[5]

----- *Insert Figure 2 about here* -----

Research on organizational identity highlights the value of a clear and enduring identity (Albert and Whetten 1985). One might predict that stakeholders view firms more favorable when they have a clear and enduring philanthropic identity around a small set of well-defined issues that stays relatively stable over time. A different hypothesis, one that has initial empirical support, is that stakeholders prefer firms that donate to a range of issues because their preferred issues are more likely to be represented (e.g., Seo, Luo, and Kaul 2018). Relatedly, researchers could

[5] This figure displays the distribution of how firms approach their philanthropy as specialized or diversified. The data used to create this figure are the same data used in model 1 in chapter 3, which includes 1,161 company-years. The number of social causes supported ranged from a minimum of 1 cause to a maximum of 27. The Foundation Center provides an extensive taxonomy system and manually classifies grants into one of 27 broad recipient types, including topical areas like: education, arts, environment, health, housing, and human services.

investigate how stakeholders react when firms change the focus of their philanthropy, as stakeholders may or may not prefer companies that remain focused on addressing a particular set of issues. Social influence and targeted approaches should exhibit greater changes in social issues pursued, as they seek to match changing stakeholder interests. It would be interesting to explore whether the strategic assumptions on the part of companies matches up with stakeholder interpretations, as there is potential for unanticipated stakeholder backlash (Bae and Cameron 2006).

The experience of grantmakers in this study also point to the importance of time in shaping philanthropic impact. Scholars have recently turned their attention to the role of temporal dynamics in how business structure their involvement in society (Bansal and DesJardine 2014, Bansal and Song 2017). However, sustainability scholars position philanthropy as a short-term investment unlikely to yield sustainable benefits for future generations, compared to “sustainable” activities like environmental protection that are seen as long-term investments (Bansal and DesJardine 2014). Empirical research on corporate philanthropy has also focused on relatively short-term financial gains (Wang, Choi, and Li 2008, Gautier and Pache 2015). Very few studies predict grantmakers would have adopted a long-term focus on social impact like those using a social impact strategy did (Margolis and Walsh 2003). My findings thus suggest that some firms are able to use their philanthropy for longer-term societal gain, particularly when they have well-defined issue areas. To be sure, seeking social impact through philanthropy does not necessitate that donors adopt a narrow topical area, as many non-corporate donors adopt an approach that crossing topical areas in pursuit of social impact (Frumkin 2008). However, the initial evidence I have provided suggests that firms that focus on a small number of issue area are the most oriented toward social impact.

Still, it would be helpful to include a temporal dimension in future studies seeking to identify the relationship between philanthropy and firm gains. Social influence strategies focus on direct gains that can be made with stakeholders in the short term, while social impact strategies focus on indirect gains that may not take hold until longer timeframes are considered. Targeted strategies take a mid-range approach. It is an empirical question as to how different strategies play out over time. One might speculate that a social influence strategy would lead to the biggest increase in short-term business gains but, because it is the most susceptible to perceptions of insincerity, might provide the least benefit of the doubt in controversial times. By the same logic, a social impact perspective might return more stable business gains in the long term but show the smallest firm effects in the short-term. A targeted approach might prove most advantageous overall, as it mixes both short-term business gains with long-term social impact. If we had larger-scale data on firm strategies, in particular whether their strategies were social impact, targeted, or social influence, we could explore how different strategy yield benefits overtime.

Conclusion

The aim of this paper was to develop a framework for thinking about how firms prioritize social causes and business gains in their philanthropic allocations. I used emergent themes obtained from interviews with corporate grantmakers at large firms to develop two overarching characteristics that guide donations: social issue specialization and stakeholder specification. I outlined four grantmaking strategies based on variation in these two areas, using interview data to show how grantmakers adopting different strategies attended to social impact and social influence throughout philanthropic decision making. This study offers one of the first qualitative explorations of corporate philanthropy, providing an inside window into the process of making donations. In so doing, I use the experiences of people on the ground to challenge and update existing perspectives.

It is useful to position the arguments in this paper against the existing theoretical perspectives on why companies donate. In some ways, my framework for understanding how companies make philanthropic allocations builds on existing insights. Namely, I concur with studies that place *stakeholder perceptions* as mediators between donations and firm effects (e.g., Godfrey 2005, Wang and Qian 2011). Indeed, through talking to decisionmakers on the ground, I found that philanthropic giving is considered strategic to the extent that it builds relationships, whether directly in indirectly. Grantmakers consider returns and prioritize social issues vis-à-vis stakeholders; there are no returns without stakeholders. While my findings align with theories that prioritize stakeholders, I go beyond the idea that companies gain from philanthropy because philanthropy elicits positive stakeholder responses. Indeed, the idea that stakeholders prefer firms that donate could not explain the variation I saw in how firms donate. I push this perspective forward by accounting for differences in how companies perceive stakeholder preferences and outlined how these perceptions translate into different strategies for firm investment in social issues. This perspective can be further developed by exploring the consequences of such strategies, as outlined above, as well as more closely studying how stakeholders perceive company investments in prosocial values.

In many other ways, my framework challenges existing perspectives. Most notably, my findings clash with those that emphasize *community and institutional norms*. This perspective argues that corporate social initiatives, which include philanthropy, are largely seen as illegitimate and, as a result of this illegitimacy, firms are highly susceptible to local isomorphic pressures (e.g., Marquis, Glynn, and Davis 2007). I do not disagree that grantmaking strategies have a local flavor, but this is not because companies consider the practices to be of questionable legitimacy and turn to peers to define standards of acceptability. Rather, practices like philanthropy are considered a "must do" because stakeholders expect them. Companies view philanthropy as a way to build up the most promising stakeholder relationships, and because these relationships are typically local, grantmaking is often concentrated around firm headquarters. To the extent that firms have geographically dispersed operations, such as those with multinational consumers and employees, my perspective predicts the importance of headquartered peers would be minimal. My approach is thus more agentic than the institutional norms perspective. As opposed to viewing companies as entities that conform to emergent local norms, I position companies, and the individuals within them, as taking an active role in identifying important stakeholders, defining important social causes, and making strategic decisions about which organizations to fund.

My perspective also differs from those that emphasize *profit maximization*. I argue that scholarship seeking to identify profitability gains from grantmaking, without taking account of where and why donations end up where they do, misses the mark. In an oversimplified search to conclude that increasing corporate philanthropy is strategic in itself, scholars have unfortunately masked the actual strategies that firms adopt. Our understanding of when philanthropy brings firm benefits – both financial and non-financial – has remained muddled (Margolis and Walsh 2003) in part because scholars have failed to include the areas of strategic variation I have identified in this study. Accounting for the role of stakeholders in firm performance proves a stronger way forward (Godfrey 2005).

The findings from this study also suggest that the manager agency perspective needs redirection. To be sure, executive leaders play a role in determining the grantmaking strategies firms adopt. Yet positioning philanthropy as a process where CEOs donate to pet charities or the preferred charities of their elite friends does not match current empirical reality. Grantmakers on the ground have wider lenses. My results show they are more likely to donate to the preferred charities of major stakeholders than the CEO. Indeed, several grantmakers mentioned placing their executives on nonprofit boards that "made sense" from a stakeholder point of view, although they were not the issues the executives were most passionate about. A more fruitful way forward to understanding what motivates firms to donate to certain issues would be to explore the interests of large stakeholders, such as employees, clients, or suppliers. Identifying points of opposition between CEO and stakeholder interest could be interesting, yet my perspective predicts that stakeholder preferences will win out and that a more interesting conflict would be opposing stakeholder interests.

As a whole, when we think about the reasons firms donate, my findings position stakeholder considerations as playing a much stronger role in motivating and directing philanthropy than local norms, manager preferences, or pure profit seeking. I have shown how, in the name of stakeholders, firms adopt different grantmaking strategies and prioritize different issues. I believe the framework I have presented in this chapter has the potential to enrich theories on corporate-community relations, provide new ways for practitioners to view their work, and lay the groundwork to understanding when both firms and society are well-served by such initiatives.

Chapter 3.

The tradeoff between internal and external CSR following controversies

Introduction

Management scholars have increasingly turned their attention to studying what motivates firms to engage in corporate social responsibility (CSR) practices (Wang et al. 2016, Bansal and Song 2017, Carroll 1999, Godfrey and Hatch 2007, Margolis et al. 2009). Studies have shown that firms are especially likely to increase CSR practices when they experience controversies that threaten their public image, as firms attempt to regain legitimacy and mitigate potential backlash caused by the controversy (McDonnell and King 2013, McDonnell, King and Soule 2015). While extant research predicts that firms will attempt to bolster their social image when threatened (Elsbach 2003), it is unclear whether firms respond by increasing their CSR activities across the board. There are a multitude of voluntarily social, environmental, and governance initiatives that firms might adopt, but studies typically do not look at different CSR activities simultaneously. Indeed, most operationalizations of CSR tend to either focus on one specific CSR activity, such as pollution control or workplace safety, in isolation (Peloza 2009) or collapse all dimensions of CSR into a "net score" variable (e.g., Barnett and Salomon 2012, Chin, Hambrick and Treviño 2013, Werner 2015). While we have a general understanding that firms may engage in a variety of distinct CSR activities and we know controversies are a pivotal time for a firm's CSR program, we lack an integrated understanding of the tradeoffs associated with different CSR activities and how this shift following controversies. To better understand how different forms of CSR relate, I explore how firms engage in different forms of CSR during the critical time following controversies using the categorization of internal and external CSR

(Hawn and Ioannou 2016). Some CSR activity is externally oriented, such as public disclosures, statements from corporate leaders, and press releases, which help firm signal positive images and build relationships with external audiences (Godfrey 2005, McDonnell and King 2013). Other CSR activity is more inwardly focused, such as CSR committees, trainings, and implementation plans, which help firms build up their internal structures and practices to more consistently live out responsible values (McDonnell, King and Soule 2015). While both external and internal CSR assist firms in signaling positive images, the two forms of CSR operate differently and may not always align (Hawn and Ioannou 2016). For example, external CSR may have a more immediate, but more temporary impact on public opinion while internal CSR may take longer to realize but signal a stronger commitment to responsible practices (Hawn and Ioannou 2016). Although evidence is accumulating that symbolic and substantive CSR frequently diverge – i.e., the walk verses the talk – (Marquis and Qian 2014, Wickert, Scherer and Spence 2016, Rathert and King 2018) few studies have considered different substantive behavioral practices of CSR simultaneously.

Drawing on insights from research on impression management, firm attention, and strategic tradeoffs, I hypothesize that firms facing controversies will increase externally-oriented CSR and decrease internally-oriented CSR. Studies consistently point to firms' use of external CSR in the wake of controversies. For example, following threat to their public image, firms increased their prosocial claims (McDonnell and King 2013) and formed more partnerships with activists (McDonnell 2015). While few studies have explored changes in internal CSR, we know that investments in internal CSR structures are resource intensive and require continued management focus (Crilly and Sloan 2012, Lindgreen, Swaen and Maon 2009). Firms have a finite amount of time, resources, and attention, all of which become strained and shifted during controversies as tradeoffs between different courses of action become heightened (Hoffman and Ocasio 2001, Ocasio 1997, Sullivan 2010). As firms shift their attention and resources toward increasing external CSR, they are likely to lose the bandwidth necessary to maintain their internal CSR activities, resulting in a decrease in internal CSR.

To test my hypotheses, I use longitudinal data on the experience of major environmental controversies for a sample of publicly-traded Fortune 1000 firms between the years 2003 and 2011. Environmental behavior that violates expectations of societal norms and general standards of conduct is often labeled "wrongdoing" and can trigger strongly negative responses from stakeholders (Mishina, Block and Mannor 2012, Pfarrer et al. 2008, Taylor 1991, Vasi and King 2012). To explore how controversies impact externally- and internally-oriented CSR activities, I use data on philanthropic donations and internal environmental practices. Corporate philanthropy is an outward-facing CSR activity that focuses external stakeholder attention on positive aspects of the company by providing evidence of socially responsible behavior (Godfrey 2005, Godfrey, Merrill and Hansen 2009). As I argue that firms rely on philanthropy to strengthen relationships with as many stakeholders as possible, I implement a novel philanthropy operationalization of number of nonprofit partners rather than total dollars donated (I expand on the implications of these variables in the general discussion). Environmental practices are internally-oriented CSR actions designed to more strongly integrate pro-environmental behavior into firm structures and routines, such as decision-making guidelines, monitoring, and other internal processes. Importantly, both are examples of behavioral practices rather than symbolic responses, as it would not be entirely surprising to find that CSR claims do not match the CSR activities that firms actually do (Meyer and Rowan 1977).

Evidencing an important tradeoff between internal and external CSR behaviors, I find that firms increase their philanthropic partners but decrease their pro-environmental practices after environmental controversies. Overall, I argue that firms face a decoupling risk following threats to their public image, and, in an effort to redirect external audience perceptions toward positive social aspects, firms prioritize external CSR at the expense of internal CSR. The findings contribute to nonmarket strategy by showing how firm attempts to manage their impressions as responsible companies may introduce misalignment into CSR portfolios, which has been shown to harm firm market value (Hawn and Ioannou 2016). The results also have implications for social movement research, namely that activist threats may cause firms to increase external CSR but motivating firms to change internal CSR structures appears more difficult. Finally, this chapter raises concerns about how threats alter the way businesses structure their relationship in larger social and environmental systems, as focusing on external perceptions of responsible values may actually stall the long-term integration those values into organizational structures.

CSR Actions Following Environmental Controversies

Extant scholarship finds that organizations facing reputationally-threatening events are likely to engage in impression management tactics to mitigate negative backlash (Elsbach and Sutton 1992, Elsbach 2003). Firms are particularly incentivized to attempt to manage stakeholder perceptions following controversies because controversies pose a threat to their public image, reputation, and overall legitimacy (Bartley and Child 2011, Elsbach 2003, King and Soule 2007). Controversies that extend beyond firm boundaries and reach communities and external stakeholders, such as environmental wrongdoing, are especially salient types of controversies for both the public and firms (Vasi and King 2012). In general, a firm's reputation for supporting the natural environment is a key determinant of their public image, and in turn, their future risk profile (Bansal and Clelland 2004). Environmental transgressions, such as oil spills, violate the expectations about appropriate firm behavior held by both corporate stakeholders and the public, inducing strongly negative emotional responses (Mishina, Block and Mannor 2012, Taylor 1991). In order to counteract negative perceptions and to retain and recapture legitimacy, organizations take steps to control their image and influence stakeholder interpretation of the controversy (Elsbach 2003). Scholars have documented tactics that range from defensive rejection to more accommodating acceptance of responsibility (Benoit 1995, Bundy and Pfarrer 2015, Coombs 2006, Elsbach 2003, Lamin and Zaheer 2012, Marcus and Goodman 1991, Zavyalova et al. 2012).

In recent decades, firms have increasingly turned to CSR practices to manage their impressions in the wake of controversies. For example, McDonnell and King (2013) found that firms targeted by boycotts responded by increasing the amount of prosocial claims they made publicly, especially when the boycott presented a strong threat to their reputation. McDonnell (2015) showed that firms facing boycotts responded by forming alliances with activists to sponsor boycotts against the contested practices of other companies. Similarly, Hiatt, Grandy and Lee (2015) documented that activist protests led oil and gas companies to both increase their prosocial press release and seek partnerships with external associations related to the protest.

McDonnell, King and Soule (2015) found that repeated activist threats led companies to adopt stronger CSR reporting and committee structures. By taking steps to improve their social images, build connections outside the firm, and develop internal structures, firms hope to regain stakeholder trust and maintain their reputations. Furthermore, if the positive images associated with CSR successfully dilute the potency of negative information about the controversy, firms may be able to sidestep taking full responsibility for perceived wrongdoing.

While these studies overwhelmingly suggest that firms will adopt CSR following reputational threats, we do not yet understand whether the type of CSR elicited is oriented toward stakeholders outside the firm (*external CSR*) or oriented toward firm practices (*internal CSR*), and whether the two are (mis)aligned. We can reclassify the documented responses in this regard. Mirroring the internal/external distinction in stakeholder theory (Freeman 1984), CSR may be oriented toward external audiences, like customers, suppliers, and the public, or toward internal audiences, like employees and managers. For example, Hiatt, Grandy and Lee (2015) refer to affiliation seeking and press releases as outwardly-facing "framing activities" that attempt to improve firm image with external stakeholders. Importantly, they distinguish framing responses from internal firm "practices," making an implicit external/internal CSR distinction. McDonnell, King and Soule (2015) refer to the adoption of reporting structures and committees, which are internal practices, as "social management devices." The authors position the practices and structures of social management devices as both a more permanent and a more enhanced commitment to responsible values than "simple impression management," like prosocial claims. The devices can be considered more permanent because they are internally integrated into firm operations, while activities like claims are not, as they are more externally-oriented. Importantly, while internal CSR actions are oriented toward internal firm operations, they can still have external effects. In what follows, I further develop the distinction between internal and external CSR and theorize how controversies lead firms to adopt disparate forms following environmental controversies.

External CSR After Firm Controversies

External CSR activities provide an avenue for companies to counter the potential negative backlash from environmental controversies. Following existing theory (Hawn and Ioannou 2016), I define external CSR as responsibility actions focused on reaching audiences outside the firm, including, statements from corporate leaders, press releases, the release of public reports, sponsorships, philanthropy, and associated activities. Externally facing CSR initiatives are often highly visible and promoted outside the firm in hopes of providing positive social images to customers, suppliers, local communities, the media, and the public. In support of this form of CSR, many organizational scholars position CSR as an effort to respond to increased demands for responsible behavior from external stakeholders (Bansal and Clelland 2004, Campbell 2007, McDonnell and King 2013, Scherer and Palazzo 2011). By signaling that they are committed to socially responsible values, firms seek to build legitimacy, maintain their reputations, and access resources controlled by external stakeholders (Bansal and Roth 2000, Fombrun, Gardberg and Barnett 2000, King and Walker 2014, Werner 2015). Indeed, Bansal and Clelland (2004) found that firms with low environmental legitimacy experienced less risk by merely expressing commitment to support the environment. Moreover, studies argue that through their external CSR, firms indirectly and directly build relationships with stakeholders outside the firm (Godfrey 2005, Marquis, Glynn and Davis 2007, Wang and Qian 2011).

A growing number of studies point to corporate philanthropy as a promising external CSR activity, as it been shown to boost reputation and elevate stakeholder relationships. Godfrey (2005) argued that corporate philanthropy has “insurance-like” properties in that firms that engage in philanthropy are more likely to be given the benefit of the doubt in a controversial situation because stakeholders attribute moral character to the firm. Godfrey, Merrill and Hansen (2009) found empirical support for this hypothesis, showing that firms who engaged in community-oriented CSR, including philanthropy, retained greater shareholder value after controversies than firms that did not. Similarly, Wang, Choi and Li (2008) found that firms in dynamic environments, i.e., environments that require greater reliance on external stakeholders, experienced more performance increases as a result of philanthropy than firms in stable environments. Together, these studies suggest that philanthropy functions as a salient signal of firm responsibility to external stakeholders with positive outcomes for a firm’s reputation and access to resources. An important implication of these studies is that philanthropy provides more benefit the more stakeholders it reaches (Fombrun, Gardberg and Barnett 2000). Supporting this point, Wang and Qian (2011) showed that philanthropy provides greater access to political resources when as it becomes visible to a greater number of stakeholders.

As philanthropy is an externally-facing CSR activity that results in positive stakeholder evaluations, I expect firms will increase their philanthropy following environmental controversies. Firm leaders use philanthropy to demonstrate their commitment to the environment and communities more generally, which provides alternate positive information that can crowd out negative images. Moreover, philanthropy provides evidence of the firms moral character that tempers negative judgments (Godfrey 2005). In this sense, firms can use philanthropy both to contradict negative information as well as reduce the attributions of blame for controversies. Following controversies, I expect firms should seek to bolster their image with as many stakeholders as possible to as to dilute potential backlash. To the extent that different nonprofit organizations reach different stakeholders, I specifically predict that firms will form more philanthropic partnerships with nonprofits. Following this, I hypothesize:

> Hypothesis 1: *Firms that experience an environmental controversy will increase their philanthropic partnerships.*

Internal CSR Following Controversies

Internal CSR activities offer another path toward meeting stakeholder expectations for increased responsibility following controversies. Following existing theory (Hawn and Ioannou 2016), I define internal CSR as activities aimed at improving a company's environmental, social, and governance internal operations, such as adopting, integrating, and implementing policies and procedures related to diversity and environmental protection. Specific actions include forming committees or task forces, offering employee trainings, building the appropriate workplace structure to sustain policies, and the like. These actions are oriented toward enabling internal stakeholders and decisionmakers, such as employees and managers, to implement responsible practices which are key elements to a successful CSR program (Crilly and Sloan 2012). Like external CSR, internal CSR provides evidence of commitment to responsibility, although it may not provide it as quickly (Hawn and Ioannou 2016).

Extant literature offers differing expectations on how internal CSR changes in the wake of controversies. On the one hand, investing in internal CSR structures demonstrates a strong commitment to responsibility. Following a similar logic to Hypothesis 1, firms that can demonstrate they are supportive of and invested in responsible behavior should accrue positive evaluations from stakeholders, and thus firms might increase internal CSR following controversies. In support of this idea, McDonnell, King and Soule (2015) found that companies that experienced repeated challenges from activists responded by increasing their internal CSR reporting and adopting independent CSR oversight committees. The authors argue that these more permanent internal responses allow firms to display an enhanced commitment to socially responsible behavior. Moreover, if firms can demonstrate that they are credibly addressing sustainability concerns, they may avoid government regulation (Maxwell, Lyon and Hackett 2000). Thus, to offer the strongest signal that they are committed to behaving responsibly, we might expect firms would make investments in both their external and internal CSR activities following controversies.

On the other hand, controversies cause strains on firm resources, time, and attention that may elicit a reduction in their ability to focus on internal CSR. Researchers have found that engaging in internal CSR requires a significant amount of manager attention and firm resources (Arjaliès and Mundy 2013, Crilly and Sloan 2012, Lindgreen, Swaen and Maon 2009, Maon, Lindgreen and Swaen 2009, Yuan, Bao and Verbeke 2011). For example, Crilly and Sloan (2012) found that CSR was more effective the more attention managers devoted to meeting the demands of multiple stakeholders, arguing that successful internal CSR requires continued firm attention. A growing body of literature in accounting points to the importance of internal infrastructure and management control systems for meeting sustainability goals (Lueg and Radlach 2016). For instance, Arjaliès and Mundy (2013) demonstrated large companies structure their internal CSR practices with systems for communicating an internal CSR vision, prescribing acceptable CSR activities, and managing CSR performance. Indeed, implementing and sustaining internal CSR processes requires significant firm investments and may require organizational change (Lin 2010).

Because threatening events generate uncertainty and interfere with the normal operations of organizations (Bundy and Pfarrer 2015, Marcus and Goodman 1991), firms may not be able to add new, or sustain current, internal practices in their wake. In general, organizations have a limited amount of attention and resources such that following one course of action often requires foregoing another (March and Simon 1958, Ocasio 1997, Simon 1947). Tradeoffs between relevant issues become heightened when organizations face uncertainty (Hoffman and Ocasio 2001, Ocasio 1997, Sullivan 2010). Evidencing this tradeoff, Sullivan (2010), detailed how different domains of issues competed for attention following safety problems at the Federal Aviation Administration. As problems related to human errors grew, attention was directed toward managing these errors and rulemaking in the domain increased. At the same time, attending to human errors detracted from the attention spent on nonhuman errors, occasioning rulemaking in the domain of nonhuman factors to decrease.

Applying this logic to the two domains of internal and external CSR suggests that as a firm focuses on one CSR domain, they may lose emphasis on the other. Furthermore, the possibility of misalignment between internal and external CSR practices (Hawn and Ioannou 2016) should be likely to increase during times of legitimacy pressure from external stakeholders. Inasmuch as external CSR is oriented toward quickly crafting a positive public image and internal CSR is oriented toward building up the internal operations of firms, demands for increased responsibility from external stakeholders should reorient firms toward the domain of external CSR and away from the domain of internal CSR. In other words, during turbulent times, firms may turn to the domain of external CSR to quickly improve their image with external stakeholders, at the expense of investments in internal CSR. In support of my argument, much organizational research shows that firms often decouple the image they project publicly and their internal management activities (Fiss and Zajac 2006, Meyer and Rowan 1977, Westphal and Zajac 1998), especially when experiencing increased stakeholder pressure (Westphal and Zajac 2001). The decoupling of CSR forms may or may not be intentional, as others have found that firms are likely to intentionally decouple in situations where stakeholder have incomplete information (Crilly, Zollo and Hansen 2012).

There is some empirical evidence to support the prediction that firms decrease some CSR activities following controversies. For example, countering their stated hypothesis, Hiatt, Grandy and Lee (2015) found that oil and gas firms who were protested by activists significantly decreased their pro-environmental oil recovery practices. In line with research on tradeoffs (Bansal and DesJardine 2014, Laverty 1996), the authors suggest that oil recovery practices require a long-term strategic focus, and that firms seek short-term strategies following reputational threats. Other research offers an explanation for why firms may prefer to increase their external but not internal CSR following controversies. McDonnell, King and Soule (2015), for instance, found that firms who increased internal CSR practices were at greater risk of becoming future activist targets. In a similar vein, Godfrey, Merrill and Hansen (2009) found that, after controversies, community-oriented external CSR yielded more benefits than CSR oriented toward trading-partners, which is more internal and technical.

In the context of firms' relationship with the natural environmental, I predict that controversies will lead firms to reduce their internal pro-environmental initiatives. These practices are internal actions like policies, monitoring processes, trainings, and other actions that reduce the use of natural resources and lessen a firm's environmental impact. Pro-environmental practices, particularly those that relate to a sustainable natural environment, require significant investments from firm leaders and employees (Bansal and DesJardine 2014). Because firm attention and resources become shift during controversies, I expect that firm attention and resources will be heavily directed toward managing the impression of external constituents by using external CSR. At the same time, I predict that making greater investments of time, attention and resources in external CSR will cause firms to decrease their pro-environmental practices, which require continuous implementation. Formally, I predict:

Hypothesis 2: *Firms that experience an environmental controversy will decrease their environmentally-supportive policies.*

Data and Empirical Approach

Sample

The sample includes firms in the Fortune 1000 list that made philanthropic donations between the years of 2003-2011. I focused on Fortune 1000 firms as the basis for constructing the sample because donations from these large, prominent firms make up the most critical segment of US corporate philanthropy (Marquis and Tilcsik 2016). Philanthropic grant data came from the grants database on US grantmakers hosted by the Foundation Center. The grant information includes both company-sponsored foundations as well as direct corporate giving. The Foundation Center compiled the data from multiple sources, including IRS PF-990 (private foundation tax forms), grantmaker annual reports, and companies themselves. The data includes cash donations made in the form of grants, but does not include in-kind contributions, donations of products, services, or employee volunteerism. More specifically, the sample includes all company-sponsored grants greater than $10,000 over this time period. Although truncating at $10,000 omits smaller grants, it ensures that the focus is on substantially-sized grants which are more likely to represent a company's philanthropic program.

I combined philanthropic data with information on corporate responsibility from the Thompson Reuters ASSET4 database. The ASSET4 database measures hundreds of yearly indicator variables relating to different types of positive and negative corporate responsibility actions and events, classified into four primary categories of corporate governance, economic, social, and environmental. Of greatest relevance to the present study are ASSET4 indicators detailing whether or not companies experienced controversies and the types of environmental practices a company has in place, which I describe in more detail below.

Dependent Variables

I used two different independent variables to represent external and internal CSR responses. First, I use the total number of nonprofits that receive donations, called *count NGO*, to operationalize external responses. This is a count variable of the annual number of unique nonprofit recipients. The number of unique nonprofits receiving donations is highly correlated with the total number of grants given (r = .98), suggesting that most firms give only one grant per nonprofit per year, as opposed to making several grants to one nonprofit annually.

The dependent variable of *count NGO* offers a novel operationalization of corporate philanthropy. Despite a growing theoretical argument that corporate philanthropy helps firms build relationships, empirical studies have overwhelmingly focused on an aggregate measure of philanthropic dollars (Marquis and Lee 2013, Marquis and Tilcsik 2016, Tilcsik and Marquis 2013, Wang and Qian 2011). Knowing that there is a significant fluctuation in dollar amount, on its own, does not provide a sense of relationship breadth. When companies donate more total cash, they may or may not reach more organizations, they may in fact reach fewer organizations but with more dollars. Yet an increase in nonprofit partners is a critical way to engage more external stakeholders inasmuch as stakeholders do not overlap between different nonprofits. The count of nonprofit partners thus offers a new way to look at connectivity with the nonprofit sector and breadth of stakeholder reach. More implications of this approach, including a comparison to using the total dollars donated as a dependent variable, are explained in the discussion section.

Second, to test whether companies develop stronger internal environmental practices, I use the dependent variable *environmental practices*. This is a count variable of the number of environmental practices a company engages in each year. This variable was constructed from the

ASSET4 database, using a set of 25 potential environmental practices. For example, whether the company sets specific objectives on resource efficiency, environmental emissions, and impact on biodiversity, as well as whether the company maintains an environmental management system. The ASSET 4 database has additional measures of environmental CSR, including statements made by corporate leaders and other pro-environmental *claims*, but because the goal of this paper is to explore actions, indicators not oriented toward behavioral practices were not included. See Appendix B for a full list of environmental practices.

To observe changes in firm behavior, I limited my sample to companies that with observed philanthropic data. Given that there are two dependent variables, the number of firms and firm-years varies from 1,161 firm-years across 213 firms for *count NGO* to 1,046 firm-years across 177 firms for *environmental practices*. Reductions in sample size arose from missing independent and control variables.

Independent Variable

The primary independent variable is the occurrence of an environmental controversy, operationalized as a binary variable that captures whether or not a company experienced an environmental controversy. Controversy data was drawn from the ASSET4 database. Controversies included in the operationalization include negative events related to biodiversity; spills of chemicals, oils, and fuels; negative environmental impact of products or services; and negative impact on natural resources or the local community. Using the presence or absence of these four controversies, I constructed a binary variable for each company-year specifying whether or not the company faced any type of environmental controversy. This resulted in a binary 0/1 indicator for environmental controversy. Controversies in non-environmental areas are included in the model as controls and described in more detail below.

Control Variables

To control for unobservable factors and time-invariant firm characteristics, all analyses include firm fixed effects. I include year fixed effects to control for any larger changes and shifts in environmental and philanthropic trends.

I also control for firm-level factors that may influence a company's nonmarket strategies, obtaining variables from Standard & Poor's Compustat database. Because corporate philanthropy and environmental practices may be a function of firm *size* (Brammer and Millington 2006, Darnall, Henriques and Sadorsky 2010), I control for a firm's logged assets. I also control for firm performance and slack resources, as both have been shown to influence the amount of corporate philanthropy and corporate responsibility (Flammer and Luo 2017, Seifert, Morris and Bartkus 2004). To do so, I control for *return on assets* (the natural log of net income divided by total assets), *leverage* (the ratio of long-term debt plus debt in current liabilities to total assets), *Tobin's Q* (the ratio of the market value of total assets to the book value of total assets), and *cash holdings* (the ratio of cash and short-term investments to total assets).

I include firm *competition* as a control variable, as recent work shows a firm's competitive environment influences its responsibility practices (Flammer 2015, Flammer and Luo 2017). Following this work, I operationalize competition using Hoberg, Phillips and Prabhala's (2014) measure of product market fluidity. This variable captures the extent of competitive threat and product market change surrounding a firm by analyzing change in a firm's own products relative to the other firms' products. More unstable product market environments indicate that a firm faces stronger competitive threats from its rivals (Bolton and Scharfstein 1990).

Several studies have shown that a company's reputation influences the prosocial activity firms make after experiencing reputational threats (Carlos and Lewis 2017, McDonnell and King 2013). As such, I control for firm *reputation*. Following King (2008) and McDonnell and King (2013), I construct a 4-category ordinal variable to capture relative differences in firm reputation using Fortune's Most Admired Company index. Firms that do not appear on the Most Admired list were classified as 0. The raw reputation scores were evenly distributed across three categories to represent three different tiers of reputation, with the lowest third of rankings classified as a 1 and the highest third of rankings classified as 3. This ordinal transformation takes into account variation in reputation rankings without discarding unranked firms.

Studies on impression management consistently point to the role of media attention (King and Soule 2007) and media sentiment (Zavyalova et al. 2012) in shaping firm response to controversies. I control for the role of the media using three distinct variables: media attention, media sentiment, and sentiment volatility. I measured media variables using the RavenPack News Analytics database. RavenPack counts and calculates the sentiment of articles from hundreds of media outlets using multiple sentiment detection algorithms. When a company is mentioned in an article, RavenPack generates a relevance score for how prominently the content in the article relates to the company. Relevance scores range from 0, or not related at all, to 100, or the main focus of the article. To create the *media attention* measure, I weighted each article by its relevance score and summed across company-years to obtain a weighted count variable, which I logged due to skew. To create the *media sentiment* variable, I calculated an average yearly sentiment score for each company using RavenPack's Event Sentiment Scores. These sentiment scores take the values 0 to 100, ranging from the most negative 0, to neutral 50, to the most positive 100. Third, I include a *sentiment volatility* variable, operationalized as the standard deviation of sentiment scores to account for large fluctuation in sentiment over a given year.

I control for the experience of other, non-environmental controversies because it is possible that firms change their philanthropy in response to any controversy. Data on alternate controversies was drawn from the ASSET4 database and include controversies in the social, economic, and corporate governance areas. Social controversies included negative events related to child labor; freedom of association; human rights issues; workplace diversity; working conditions; harm caused to the health and safety of third parties; failing to serve specific markets; and bribery or corruption, political contributions, improper lobbying, money laundering, or tax fraud. Economic controversies included negative events related to insider dealings, non-transparent accounting, consumer complaints, and anti-competitive behavior. Corporate governance controversies included negative events related to high executive or board compensation and shareholders rights. The final model includes a binary other controversy variable equal to 1 if a company experienced any controversy related to social, economic, or corporate governance areas. Alternate models include the binary experience of each type of controversy with similar, non-significant results.

Finally, because a firm's internal and external tactics may be related, when modeling *count NGO,* I use environmental practices as a control variable and when modeling *environmental practices,* I use the number of nonprofits as a control variable. Similarly, because the total dollar amount donated has been shown to be a significant part of a firm's philanthropic strategy (Marquis and Tilcsik 2016, Wang and Qian 2011), I control for this in all models. Since the count NGO and total dollars donated variables are skewed, I log transformed them for use as controls.

Models

The two distinct dependent variables require two distinct panel regression models. I use a fixed effects negative binomial panel regression model for *NGO count*, as it is a count variable that exhibits significant overdispersion (i.e., the standard deviation is greater than the mean). Results using an unconditional fixed effects model with firm dummies to approximate fixed effects (Allison and Waterman 2002) are consistent with the results reported below. I used a fixed effects Poisson regression model for *environmental practices,* as it is a count variable without overdispersion concerns. The *environmental practices* models include robust standard errors. Each dependent variable is assessed across two models: a baseline model with control variables and a model that includes the occurrence of an environmental controversy. Models 1 and 2 assess *NGO count* and models 3 and 4 assess *environmental practices.*

As a change in philanthropic and environmental behavior is most likely to be observed a year after a controversial event, I lagged the occurrence of an environmental controversy by one year. Similarly, the majority of control variables are lagged by one year as prior year activity is likely to influence future CSR strategies. The exceptions are the controls relating directly to internal and external tactics – the total number of grants, environmental practices, total dollars donated – because these responses may be simultaneously deployed.

Summary statistics can be found in Table 2 and correlations for all variables can be found in Table 3. When looking at Table 2, we see that firms in the sample, on average, made donations to 235 nonprofit recipients per year, though this exhibits overdispersion as evidenced by the standard deviation of 619 nonprofits. We further see that companies enacted, on average, 7 environmental practices from those listed in Appendix B. Table 2 also indicates that roughly 9% of firm-year observations experienced controversies. In the context of model 1 and 2 (i.e., using the same sample data from those models), there were 109 controversies across the entirety of the 1,161 firm-year observations. A total of 49 out of 212 firms experienced at least one environmental controversy, or roughly 23% of firms. Two firms experienced repeated controversies such that they had more controversy years than non-controversy years across the sample. I ran models with and without these two outlier firms, as well as with and without firms that experienced abnormally frequent controversies (i.e., more than one standard deviation above average for all firms that experienced controversies) and obtained consistently significant results. This indicates that the findings are not driven by outlier firms with frequent controversies. Table 3 includes a noteworthy correlation between the log of total dollars donated and the log of the number of grants donated ($r = .78$). This correlation has face validity as we might expect companies that have the resources to donate more money might be able to make more grants.

----- *Insert Tables 2 and 3 about here* -----

Results

The results of these models, presented in Table 4, show how firms implement external and internal responses after facing an environmental controversy.

----- *Insert Table 4 about here* -----

The first set of models test hypothesis 1, which proposed that firms experiencing an environmental controversy would broaden their relationships with external audiences by increasing the number of nonprofit recipients receiving donations. Model 1 includes all control variables as a baseline model. In model 2, I add the independent variable. The effect of having an environmental controversy is significant and positive, meaning that firms are significantly likely to donate to more nonprofits following an environmental controversy. The rate ratio of environmental controversy (1.156) indicates that experiencing a controversy increases the average number of nonprofit recipients by 16%. This finding supports hypothesis 1.[6]

The second set of models test hypothesis 2, which proposed that firms experiencing an environmental controversy would increase the number of environmentally-supportive firm practices. Model 3 is the baseline model with control variables. In model 4, the effect of having an environmental controversy is significantly negative, indicating that firms that experience a controversy reduce their internal environmental practices. The rate ratio of environmental controversy (.856) shows that experiencing a controversy decreases the number of adopted practices by 14%. This finding supports hypothesis 2.

[6] Note that I explored the count of environmental nonprofits as a potential dependent variable. The results for environmental nonprofits move in the same direction as the overall count of nonprofits. The findings indicate that firms increase their partnerships with environmental nonprofits following environmental controversies, though not uniquely as companies increase nonprofit partners across multiple types of social causes.

Regarding the influence of control variables, I find that increases in general media attention (as yearly article counts, logged) leads firms to both reduce the number of nonprofit partners and reduce their internal environmental practices. The reason media attention leads to reductions in both forms of CSR is not entirely clear, as other studies using a similar variable and study design have found media attention to have either no effect or a positive effect on CSR (e.g., McDonell et al. 2015). It could be the case that firms who are successfully able to capture the attention of the media have shifted their resources and attention away from CSR activities. The model 1 and 2 results for corporate philanthropy show that, as expected, an increase in the number of nonprofits is strongly associated with an increase in the total dollar amount donated. Interestingly, increases in environmental practices lead to a reduction in grant partners, suggesting that as internal CSR increases, external CSR may decrease. This result is consistent with the idea that firms have a finite amount of attention and resources such that increases in one form of CSR may lead to decreases in another. More generally, it suggests that internal and external CSR operate as distinct firm functions and may not be highly related in practice. Increases in firm size leads to different results for the dependent variables, as firms appear to make fewer donations and but make more investments in pro-environmental practices as they grow.

Overall, the findings support the idea that firms experience a tradeoff or decoupling risk following controversies. When companies experience a major environmental controversy, they are significantly more likely to increase external CSR (i.e., the number of grants they make to nonprofit organizations) but are less likely to implement internal CSR practices.

General Discussion

This study contributes to literature at the intersection of organizational theory and sustainability in a number of ways. First, the study deepens our understanding of how firms deploy CSR as a part of their nonmarket strategies. It does so by conceptualizing distinct internal and external forms and arguing that companies engage these forms differentially when their public reputation is threatened. Our ability to develop a cohesive understanding of how CSR activities relate has been hampered by the tendency for extant studies to either adopt an aggregate operationalization – collapsing all dimensions of CSR, such as community engagement, environmental policies, and diversity programs, into one "net score" variable (e.g., Barnett and Salomon 2012, Chin, Hambrick and Treviño 2013, Werner 2015) – or a singular operationalization, analyzing one specific CSR activity, such as pollution control or workplace safety, in isolation (Peloza 2009). I argue that considering internal and external CSR actions simultaneously is critical to a more complete and integrated understanding of the costs, benefits, and tradeoffs of nonmarket strategy. Using the empirical case of the pivotal time following controversies, I found evidence that firm resources are directed toward influencing external stakeholders at the expense of the continual effort needed to maintain internal CSR activities. As such, this study provides one of the first explorations into why internal and external CSR may become misaligned in the first place.

I develop the idea that there is a potential tradeoff between internal and external CSR and their or risk of decoupling becomes heightened under circumstances where firm resources rapidly shift toward influencing external stakeholder opinion. Beyond cases of environmental controversies, we might expect firms to be at a heightened risk for misalignment when they experience events that increase external stakeholder pressure (e.g., pressure from social movement activists) and when they experience increasingly uncertain firm environments (e.g., a sudden increase of competition), as these conditions are likely to encourage a focus on external perceptions and they have already been shown to change a firms CSR activities (e.g., McDonell 2015, Flammer 2015). I encourage scholars to continue to examine how firms engage in both internal and external CSR to more fully understand the diverse mechanisms through which responsible corporate behavior brings firm-level returns. A limitation of the present study is it does not inform us whether internal or external CSR is more successful at assuaging public concerns. An interesting finding evidenced by recent studies is that a strong reputation for responsibility may actually be a liability (Carlos and Lewis 2017, Luo, Meier and Oberholzer-Gee 2012, McDonnell, King and Soule 2015). Future research might thus explore how stakeholders perceive firms' internal and external CSR actions. Perhaps investments in internal CSR take longer to realize and may cause episodic targeting (McDonnell, King, and Soule 2015), but ultimately lead to stronger reputation benefits in the long term.

An additional contribution of this study is to refocus attention on the way organizational scholars understand and operationalize philanthropy. Where other studies have operationalized philanthropy as total dollars donated (e.g., Marquis and Tilcsik 2016, Wang and Qian 2011), I operationalized philanthropy as the number of nonprofit partners. Theories about how corporate philanthropy leads to firm benefits increasingly point to the mediating role of stakeholder perceptions (Godfrey 2005, Miles and Cameron 1982, Wang and Qian 2011). To the extent that nonprofits are affiliated with distinct stakeholders, we should except that companies are able to reach more stakeholders as they donate to more nonprofits. Thus, the number of active relationships with nonprofits affords us a novel way of exploring relational breadth. Focusing on the amount of money donated, on its own, cannot tell us whether firms attempt to broaden their external stakeholder reach. Indeed, firms that increase the amount of their donations, but do not increase the number of nonprofit partners, are effectively engaging in a different strategy – one that doubles down on deep relationships with existing partners. Thus we can learn more about particular external CSR strategies by exploring dollars donated alongside number of nonprofit recipients. For the case examined in this paper, companies did not appear to significantly change the amount of money they donated following controversies, as shown from the non-significant results on Table 5. In tandem, the results of models 2 (Table 4) and 6 (Table 5) suggest that companies do not seek to donate more money to shape external perceptions, but that they react to controversies by seeking out more nonprofit partners. I am the first, to my knowledge, to make this empirical differentiation with corporate donations. I encourage future studies to include these important dynamics in their studies of corporate-community relations and stakeholder considerations.

----- *Insert Table 5 about here* -----

At the same time, limitations of the existing modeling approach are worth noting. There could be a concern about potential endogeneity between the independent and dependent variables impacts the results. This is particularly the case if we expect that decreases in environmental policies or increases in philanthropy would lead firms to experience environmental controversies. The lagging of the independent variable by a year should assuage some of this concern, though it would be interesting to further explore if firms are then more susceptible to experiencing a second controversy as a result of their post-controversy choices. Or firms may end up in a "vicious circle" where organizations where engaging in high levels of impression management results in decreased legitimacy (Ashforth and Gibbs 1990). It is also possible that firms adopt responses that change as the controversy becomes more distant history. To explore the potentially dynamic nature of responses to controversies, I ran additional models with an alternate independent variable that accounted for the number of years since an environmental controversy occurred as well as looking at internal and external CSR at periods that were two and three years post-controversy. These operationalizations did not yield significant results, suggesting that post-controversy changes in CSR may be most likely to occur in the period directly following a controversy.

The study has implications for research on CSR as impression management. Interestingly, the responses documented in this study somewhat contradict the best practices of crisis management. Studies of how firms communicate after crises find that a crisis with higher situational attributions of responsibility (i.e., a transgression) is better matched with responses that accept more responsibility, while a crisis with lower situational attributions of responsibility (i.e., an accident) is best matched with responses that accept less responsibility (Coombs 1995, Coombs and Holladay 2004). To the extent that philanthropy deflects attention away from a firm's wrongdoing and investing in internal practices calls into question why those practices did not exist in the first place, firms in this study adopted a course of action that assumed less responsibility. As scholars continue to explore how firms use CSR as an impression management tool, future studies could explore how CSR is used in a different manner from other crisis response strategies as well as how audiences respond to these different firm attempts to control their image.

This study also surfaces a tension within extant studies of how social movements impact firm adoption of practices. My findings suggest that if activists target firms in a way that threatens their public image, activists may actually incite firms to *reduce* their internal practices. Relatedly, Carberry et al. (2017) found that activists were more effective at influencing companies to adopt more sustainable internal systems by focusing on transforming the organizational field, as opposed to targeting specific corporate managers. More research is warranted on how activists encourage external versus internal CSR, as current studies point to conflicting results. To date, empirical evidence supports both the idea that activist threats lead to increases in adoption of internal practices (McDonnell, King and Soule 2015) and that activist threats lead to reductions internal practices (Hiatt, Grandy and Lee 2015). Moreover, even if firms are succeeding in internal CSR, they may prefer not to disclose this after controversies, for fear of appearing hypocritical (Carlos and Lewis 2017). One potential way forward is to explore how the nature of the threat plays a role in the different patterns of internal and/or external CSR against different types of threats. Indeed, an additional limitation of the present study is that it focuses only on the domain of environmental controversies. Another way forward is to explore how internal CSR practices are coordinated within the company. There may be some forms of CSR that are more difficult to integrate than others because their implementation involves activities that span multiple departments.

Finally, the results of this study have several implications for the relationship between business and society. Because management research on activities outside the traditional boundaries of the market has overwhelmingly focused on the benefits that nonmarket actions accrue to firms (Aguinis and Glavas 2012), we are only beginning to understand how CSR actions impact society at large (Ballesteros, Useem and Wry 2017). My results show that, after environmental wrongdoing, firms use nonmarket tactics in a relatively reactive manner in the sense that making donations can be done relatively quickly compared to integrating new environmental strategies. This highlights the importance of understanding the temporal dynamics of CSR. While in the short term positive images associated with external CSR has the potential to boost a company's image, in the long run a misalignment poses problems for firm profit (Hawn and Ioannou 2016) and a sustainable society (Bansal and DesJardine 2014) if investments are not also made in internal CSR practices. Indeed, investing in activities meant to increase external perceptions of responsible values may actually damage, or at best stall, the long-term integration those values into organizational structures. Echoing calls from other scholars (Bansal and DesJardine 2014, Bansal and Song 2017, Flammer and Bansal 2017), I suggest future research should more closely investigate temporal tradeoffs between internal and external CSR.

As consumers, business partners, investors, and the public expect more and more responsible behavior from companies (Scherer and Palazzo 2011), it is imperative that we understand the resultant firm behavior. With incomplete information, stakeholders can be easily duped by companies that are "faking it" (Crilly, Zollo and Hansen 2012). Understanding where CSR is directed, namely the extent to which it is directed toward building up internal firm practices to help build a more sustainable future versus external impression management, will further enhance our understanding of the relationship between business and society.

Concluding Remarks

In the three papers of this dissertation, I have added to our understanding of the processes by which companies, and the individuals employed by them, negotiate the place of the firm in larger society. I have sought to refocus attention on the tensions and tradeoffs that arise as organizations seek both positive firm impact and positive societal impact, broadening the field's focus on the economic aspects of CSR. In the first chapter, I investigated how corporate grantmakers navigate their own occupational position as brokers between the corporate and nonprofit sectors. I argued that the particular frames they adopted allowed them to build a professional identity focused on both social and business impact, but also limited the extent to which stakeholders in both sectors experienced the other sector's perspective. In the second chapter, I developed a categorization schema for understanding key variation in how firms use philanthropy to both support social causes and build stakeholder relations. Finally, in the last chapter, I examined tradeoffs between philanthropic investments and other forms of CSR. I theorized an important tradeoff between internally-oriented CSR and externally-oriented CSR, like philanthropy, and provided evidence that firms tend toward external CSR after experiencing controversies. Across the chapters, I have sought to contribute to various organizational literatures, in particular to scholarship on institutional complexity, nonmarket strategy, and impression management.

The three chapters are related in a number of ways. In addition to the consistent empirical focus on philanthropy and the larger study of business and society, each chapter also offers a different take on processes of reputation management. In chapter one, we saw grantmakers strategically using ambiguity and frame switching to not only be understood by multiple groups, but also viewed as an accepted member of that group. In a broad sense, the chapter argued that individuals can use frame switching to successfully manage their reputations among distinct audiences while also maintaining a coherent self-identity. In chapter two, we saw different grantmaking strategies all designed to ultimately improve corporate reputation with stakeholders. The strategies differ in the extent to which they are oriented toward influencing stakeholder opinion directly, which may influence the extent to which strategies are successful at improving and protecting corporate reputation over time. The third chapter dealt most directly with reputation management, identifying tradeoffs that occur as companies use CSR to bolster their social image after it becomes threatened, with implications for short-term and long-term reputation management.

The findings of individual chapters of this dissertation also raise important implications for other chapters. For example, the first two chapters concern how companies donate in organizational contexts that are mostly settled, while the third chapter deals with changes in philanthropic and environmental actions after large-scale controversies. Under conditions of unsettledness, uncertainty, or resource constraint, we might expect that individual grantmakers will engage in different framing activities than they do during settled times. In settled times, it appears that there is enough organizational slack for grantmakers to view both social impact and business impact as central to their work without needing to conform to only one dominant organizing logic. As the company faces controversial situations, increased pressure may be placed on grantmakers to more directly support the business, which in turn may cause them to view the business aspect of their work as dominant as opposed to using a paradox frame. During such times, grantmaking strategies that were previously oriented toward social impact may become more instrumental, shifting toward targeted or social influence strategies in an attempt to more directly improve opinion with stakeholder. In short, organizational threat may decrease the ability for grantmakers to adopt paradox frames and shift overall grantmaking strategies. At the same time, the manner in which firms develop their CSR programs during settled times may have implications for how they respond in times of threat. For instance, firms will well-integrated CSR programs focused on long-term social impact may be more likely to maintain their attention to internal CSR during controversies, resulting in more aligned internal and external CSR.

It is my hope that the overall findings of this dissertation modify and update the ways that management scholars think about how companies make philanthropic donations. While there was much debate about the firm benefits of philanthropy prior to this project, we had little understanding of how companies conceptualized and carried out their philanthropy. I developed the argument that only by understanding how business-society tensions are navigated can we truly understand when, why, and under which timeframe, philanthropy benefits firms. By providing empirical evidence that grantmakers on the ground engage with ideas around social impact in their own decision making, I hope to encourage scholars to more seriously take these aspects into account as they continue to pursue the antecedents, processes, and outcomes of corporate philanthropy. Moreover, I put forward the argument that philanthropy scholars can gain new insights by disaggregating and decomposing giving to focus on different elements of donations. For example, firms can adopt certain strategies if they seek to reach a breadth of different stakeholder (e.g., increase number of nonprofits and social causes supported) and others if they seek to develop deeper relationships with existing stakeholders (e.g., increase donations to existing partners). Continuing to focus on more nuanced operationalizations of philanthropy in tandem, including the number of social causes firms support, the number of nonprofits they fund, and the total dollar amount they give, will provide us a better understanding of how firms deploy different strategies for developing relationships with communities.

Making business-society connections more central to the study CSR more generally opens new avenues for understanding how businesses gain a competitive edge by taking a more inclusive view of their larger environments. As we move forward as a field, I seek to encourage scholars to adopt a systems perspective, that is, to investigate how firms manage profit-generating activities alongside how they manage relationships to social environments, including with stakeholders and communities, and natural environments (Bansal and Song 2017). Under a systems lens, firms ultimately end up suffering if these elements are misaligned, especially if firms consider profit management at the expense of other parts of the whole system. Philanthropy is one lever by which firms negotiate their positioning in a larger system. I have shown that it is often used as a short-term, reactionary lever, especially in turbulent times, and, moreover, that the very individuals who oversee the activity can limit its ability to provide stronger connections between firms and their larger environments. Yet by pointing out the potential for disconnect in the system, I hope to call attention to areas where firms can focus on creating more integrated CSR with the potential to provide a stronger connection to their social and natural environments, while also improving profit.

This dissertation raises a number of important questions for future research. While I found that grantmakers adopted a dominantly business frame for their work when around corporate leaders, future studies could further develop a systems perspective by identifying and exploring exceptional cases where grantmakers are successfully able to engage paradox framings as they interact with various stakeholders. Relatedly, one might speculate that there is something particular about the grantmaker position – a position that spends rather than generates money – or about the grantmakers' placement in the firm hierarchy – which is often on a separate team or, in the case of a corporate foundation, a separate entity altogether – that may lead them to emphasize direct connections to business impact. It could be fruitful to adopt an occupational lens and explore how other CSR professionals integrate the simultaneous pursuit of business and social impact or sell issues within companies. Another area for future research lies in the idea that donating for social impact may prove more beneficial than donating for self-interest, particularly over time. I developed the idea that CSR initiatives that build a stronger foundation for positive societal impact and internal CSR operations may take longer to improve stakeholder opinion but may ultimately lead to stronger and more sincere stakeholder relationships. Not only does this lead to interesting questions about strategy, time, and stakeholder perceptions (as outlined in chapter two), this idea also begs the question, how are firms impacting society through their donations? One insight from this study is that firms may be more likely to create meaningful social impact when they specialize in social causes. Future work might explore the role of firm core competencies or capabilities, as social impact may be maximized in cases where firms not only have a specialized social issue, but also a unique core competency that helps address a given social problem. At the same time, it is critical that scholars attend to the potential for firms to coopt nonprofits and communities that depend on their funds, which has to date been largely absent from studies. Doing so requires management scholars move into new terrain by adopting community- and nonprofit-centric vantage points.

Finally, the three studies have important practical implications for how companies structure their CSR activities. Philanthropic transactions redistribute resources, and as such, these initiatives are an important site of struggle and debate. Focusing predominantly on firm benefits, as many prior studies have, risks encouraging managers to act responsibly only when doing so meets their immediate business needs. Indeed, my studies highlight several ways that the CSR activities can fall prey to opportunistic and short-term thinking. As scholars, we have largely failed to provide practitioners alternate ways of seeing how investing in society is beneficial for both their short-term and long-term business needs. I argue a more promising strategy for companies lies in developing integrated CSR platforms that provide consistent investments in prosocial values across different CSR activities. Moreover, I have started to point out points of contradiction and disconnection within CSR strategies that require firm attention. Rather than assuming firm investments in society are win-wins, scholars and practitioners alike must continue to question the tradeoffs that arise as businesses continue to take more active roles in society.

Table 1: Interview Subject Backgrounds

Subject Description	**Count**
Female, corporate background	20
Female, nonprofit background	10
Female, both corporate and nonprofit background	3
Male, corporate background	5
Male, nonprofit background	2

Table 2: Chapter 3 Summary Statistics

	Variable	Mean	Std. Dev.	Min	Max
1	Count of NGOs	235.10	619.51	1.00	8065.00
2	Environment Practices	6.85	6.92	0.00	24.00
3	Enviro Controversy $_{t-1}$	0.09	0.29	0.00	1.00
4	Media Attention, logged $_{t-1}$	7.51	1.37	4.81	12.83
5	Size (Assets, logged) $_{t-1}$	9.94	1.56	6.50	14.63
6	Return on Assets, logged $_{t-1}$	0.06	0.07	-0.85	0.95
7	Leverage $_{t-1}$	0.24	0.15	0.00	0.95
8	Tobin’s Q $_{t-1}$	1.82	1.01	0.78	13.02
9	Cash Holdings $_{t-1}$	0.10	0.11	0.00	0.82
10	Competition $_{t-1}$	7.29	4.59	0.41	32.33
11	Other Controversy $_{t-1}$	0.42	0.49	0.00	1.00
12	Reputation $_{t-1}$	1.17	1.20	0.00	3.00
13	Media Sentiment $_{t-1}$	0.46	0.03	0.33	0.63
14	Sentiment Volatility $_{t-1}$	0.14	0.02	0.07	0.20
15	Total Dollars Donated, logged	15.23	1.86	7.31	19.44
16	Total Grants Donated, logged	4.67	1.72	0.00	9.84

Table 3: Chapter 3 Correlation Table

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Count of NGOs	1.00															
2	Environment Practices	0.10	1.00														
3	Environmental Controversy $_{t-1}$	0.03	0.31	1.00													
4	Media Attention, logged $_{t-1}$	0.34	0.53	0.21	1.00												
5	Size (Assets, logged) $_{t-1}$	0.42	0.28	0.13	0.70	1.00											
6	Return on Assets, logged $_{t-1}$	-0.10	0.15	0.05	-0.01	-0.22	1.00										
7	Leverage $_{t-1}$	0.04	0.05	-0.02	0.02	0.09	-0.20	1.00									
8	Tobin's Q $_{t-1}$	-0.12	0.07	0.02	0.02	-0.31	0.56	-0.22	1.00								
9	Cash Holdings $_{t-1}$	-0.08	0.05	-0.07	0.21	-0.06	0.20	-0.31	0.37	1.00							
10	Competition $_{t-1}$	0.12	0.00	-0.04	0.32	0.40	-0.16	-0.06	-0.15	0.11	1.00						
11	Other Controversy $_{t-1}$	0.15	0.40	0.27	0.51	0.38	0.06	-0.03	0.02	0.08	0.15	1.00					
12	Reputation $_{t-1}$	0.15	0.25	0.06	0.35	0.30	0.15	-0.03	0.21	0.05	-0.08	0.22	1.00				
13	Media Sentiment $_{t-1}$	0.02	0.02	-0.05	-0.02	-0.02	-0.28	0.15	-0.17	-0.08	0.06	-0.03	-0.15	1.00			
14	Sentiment Volatility $_{t-1}$	0.02	0.35	0.17	0.34	0.14	0.02	0.05	0.00	0.10	0.08	0.26	0.11	0.27	1.00		
15	Total Dollars Donated, logged	0.44	0.24	0.08	0.45	0.56	0.01	0.03	0.05	0.00	0.11	0.29	0.36	-0.05	0.17	1.00	
16	Total Grants Donated, logged	0.56	0.01	0.00	0.21	0.38	-0.10	0.04	-0.08	-0.11	0.07	0.12	0.17	0.04	0.05	0.78	1.00

Table 4: Chapter 3 Results

	DV: Count of Nonprofits		DV: Environmental Policies	
	Model 1	Model 2	Model 3	Model 4
Environmental Controversy $_{t-1}$		0.145*		-0.155**
		(0.063)		(0.049)
Size $_{t-1}$	-0.288***	-0.289***	0.244*	0.259*
	(0.042)	(0.042)	(0.109)	(0.111)
Return on Assets $_{t-1}$	-0.120	-0.103	-0.432	-0.435
	(0.256)	(0.255)	(0.412)	(0.410)
Leverage $_{t-1}$	-0.428	-0.418	-0.017	-0.034
	(0.226)	(0.226)	(0.455)	(0.463)
Tobin's Q $_{t-1}$	-0.092*	-0.099*	0.104	0.115
	(0.041)	(0.041)	(0.060)	(0.059)
Cash Holdings $_{t-1}$	-0.225	-0.204	-0.113	-0.149
	(0.283)	(0.283)	(0.511)	(0.517)
Competition $_{t-1}$	0.009	0.010	0.000	-0.000
	(0.006)	(0.006)	(0.007)	(0.007)
Other Controversy $_{t-1}$	-0.013	-0.019	-0.008	0.009
	(0.038)	(0.038)	(0.042)	(0.043)
Reputation Quartile $_{t-1}$	-0.011	-0.008	0.017	0.012
	(0.019)	(0.019)	(0.023)	(0.023)
Media Attention $_{t-1}$	-0.132**	-0.131**	-0.164*	-0.159*
	(0.042)	(0.042)	(0.078)	(0.074)
Media Sentiment $_{t-1}$	-0.082	-0.057	-0.443	-0.409
	(0.592)	(0.593)	(0.612)	(0.611)
Sentiment Volatility $_{t-1}$	-0.615	-0.681	1.164	1.063
	(1.136)	(1.136)	(1.371)	(1.364)
Environment Policies	-0.020***	-0.021***		
	(0.005)	(0.005)		
Total Dollars Donated	0.482***	0.484***	-0.008	-0.007
	(0.022)	(0.022)	(0.027)	(0.026)
Total Number Grants			0.016	0.016
			(0.021)	(0.021)
Constant	-2.163***	-2.200***		
	(0.472)	(0.474)		
Observations	1,161	1,161	1,046	1,046
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Robust Standard Errors	No	No	Yes	Yes
Model	Negative Binomial	Negative Binomial	Poisson	Poisson

Robust standard errors in parentheses, clustered at company-level. * $p<0.05$, ** $p<0.01$, *** $p<0.001$

Table 5: Chapter 3 Cash Dependent Variable Results

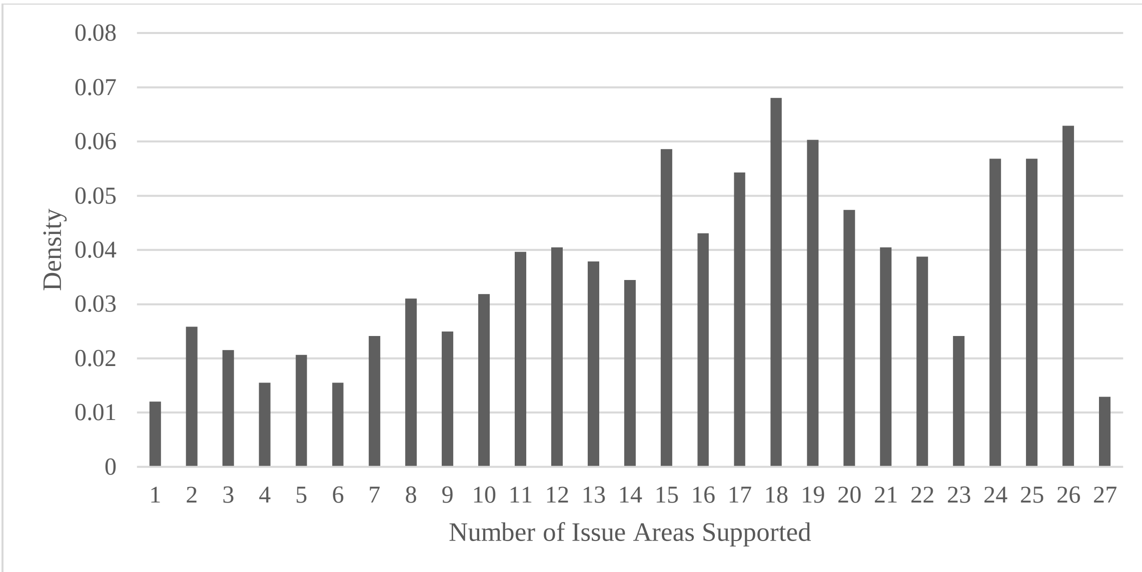
	DV: Log Total Cash	
	Model 1	Model 2
Environmental Controversy $_{t-1}$		0.128
		(0.120)
Size $_{t-1}$	0.283	0.276
	(0.180)	(0.181)
Return on Assets $_{t-1}$	0.154	0.163
	(0.588)	(0.590)
Leverage $_{t-1}$	-0.495	-0.481
	(0.764)	(0.764)
Tobin's Q $_{t-1}$	-0.092	-0.097
	(0.097)	(0.097)
Cash Holdings $_{t-1}$	-0.778	-0.766
	(0.722)	(0.724)
Competition $_{t-1}$	-0.020	-0.020
	(0.018)	(0.018)
Other Controversy $_{t-1}$	0.014	0.006
	(0.076)	(0.076)
Reputation Quartile $_{t-1}$	0.038	0.041
	(0.043)	(0.043)
Media Attention $_{t-1}$	-0.086	-0.089
	(0.144)	(0.145)
Media Sentiment $_{t-1}$	0.173	0.203
	(1.211)	(1.213)
Sentiment Volatility $_{t-1}$	1.205	1.228
	(2.535)	(2.544)
Environment Policies	-0.015	-0.015
	(0.012)	(0.012)
Total Dollars Donated		
Total Number Grants		
Constant	13.172***	13.234***
	(1.694)	(1.700)
Observations	1,213	1,213
Firm FE	Yes	Yes
Year FE	Yes	Yes
Robust Standard Errors	Yes	Yes
Model	OLS	OLS

Robust standard errors in parentheses, clustered at company-level.
* $p<0.05$, ** $p<0.01$, *** $p<0.001$

Figure 1: Grantmaking Strategies

		Stakeholder Specification	
		Low (indirect)	High (direct)
Issue Specialization	High (specialized)	Social Impact	Targeted
	Low (diversified)	Dispersed	Social Influence

Figure 2: Distribution of Firms Across Specialization-Diversification Portfolios



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Appendix A: Interview Schedule

Biographic, Work, and Goals

Goals: Understand their work flow, what type of work they do, where it fits in company, and outlook/goals

- To begin, I'd like to learn a little more about you and the type of work you do. Tell me about a typical work day.
    - *Probes*: (If they say no day is typical) – that's probably true, can you walk me through yesterday?
    - *Probes*: What types of projects? What is your role in them? Who else works with you?
- Can you tell me a little bit about you came to work in CSR?
    - *Probes:* How long have you been working in CSR? How did you transition into this role? Did you receive any training?
- How does your work fit in with [company name]?
    - *Probes*: Are there any overarching goals for the giving program? Are there any particular goals for your team?

Agenda Setting

Goals: Learn about who makes decisions on projects and how agendas are set

- How does the firm decide which areas to donate to?
- Are there any target areas that your funding is particularly good at addressing? Are there any that your funds are not particularly good at addressing?
- Does your firm try to gauge the social needs of [local area]? How?

Donation Process

Goals: Learn about how they evaluate nonprofits

- Can you walk me through the funding process at [your company]?
- Walk me through how you evaluate a nonprofit: What information do you look for first? Why?
    - *Probe:* If no formal process, what makes a good partner?
- What do you look for in a nonprofit application?
    - *Probe:* why is that important? What does that mean about the nonprofit? Which is the most important?
- On average, how much time do you spend on each request?
- At the end of the day, how do you decide who will be a good partner?
- Can you walk me through the most recent project you helped start?
- What are examples of the best/worst applications?
- Can you think of an example of a recent nonprofit about whom there was a good deal of debate?
    - *Probes:* what types of qualities tip nonprofits in either direction?

Evaluation/Success
Goals: Learn how they evaluate projects

- How do you know if your investments have been a success?
  - *Follow up:* What makes a project a success?
- Walk me through how you use evaluations and metrics (if at all)
  - *Follow up:* do you use any business metrics? Do you use any social impact measurements? How do you decide which metrics to use?
- Have you ever had an unsuccessful project? What happened?

Reporting
Goals: Discover who they report or share information

- How do you report out the work you've done?
- Who does your work get shared with?

Relationship management
Goals: Understand what respondents do to facilitate relationships among different actors;

- How closely do you work with your firm's executives?
- How does nonprofit board placement work at [your company]?
  - *Follow up:* which boards are execs currently on? Why those? Are you trying to increase or decrease, and why?
- Can you describe your relationships with the nonprofit/recipients?
  - *Probes:* how many nonprofits are in your portfolio? How often do you keep in contact with them?
- Do you discuss philanthropy with anyone outside the firm?
  - *Probes:* who, when, about what?
- Are you a member of any professional organizations?
  - *Follow up:* which ones? Why those? To what extent?

Appendix B: List of Environmental Actions in the *Environmental Practices* Dependent Variable

1. Does the company monitor its emission reduction performance?
2. Does the company monitor its resource efficiency performance?
3. Does the company have environmentally friendly or green sites or offices?
4. Does the company use environmental criteria (ISO 14000, energy consumption, etc.) in the selection process of its suppliers or sourcing partners? AND Does the company report or show to be ready to end a partnership with a sourcing partner, if environmental criteria are not met?
5. Does the company have a policy for reducing the use of natural resources? AND Does the company have a policy to lessen the environmental impact of its supply chain?
6. Does the company have a policy for reducing environmental emissions or its impacts on biodiversity? AND Does the company have a policy for maintaining an environmental management system?
7. Does the company set specific objectives to be achieved on emission reduction?
8. Does the company report on initiatives to protect, restore or reduce its impact on native ecosystems and species, biodiversity, protected and sensitive areas?
9. Does the company show an initiative to reduce, reuse, recycle, substitute, phased out or compensate CO2 equivalents in the production process?
10. Does the company report on initiatives to reduce, substitute, or phase out ozone-depleting (CFC-11 equivalents, chlorofluorocarbon) substances?

11. Does the company report on initiatives to recycle, reduce, reuse, substitute, treat or phase out total waste, hazardous waste or wastewater?
12. Does the company report on the concentration of production locations in order to limit the environmental impact during the production process? OR Does the company report on its participation in any emissions trading initiative? OR Does the company report on new production techniques to improve the global environmental impact (all emissions) during the production process?
13. Does the company report or provide information on company-generated initiatives to restore the environment?
14. Does the company report on initiatives to reduce the environmental impact of transportation of its products or its staff?
15. Does the company report on its environmental expenditures or does the company report to make proactive environmental investments to reduce future risks or increase future opportunities?
16. Does the company have an environmental product innovation policy (eco-design, life cycle assessment, dematerialization)?
17. Does the company describe the implementation of its environmental product innovation policy?
18. Does the company describe, claim to have or mention the processes it uses to accomplish environmental product innovation?
19. Does the company set specific objectives to be achieved on environmental product innovation?

20. Does the company report on at least one product line or service that is designed to have positive effects on the environment or which is environmentally labelled and marketed?
21. Does the company report on specific products which are designed for reuse, recycling or the reduction of environmental impacts?
22. Does the company report about take-back procedures and recycling programmes to reduce the potential risks of products entering the environment? OR Does the company report about product features and applications or services that will promote responsible, efficient, cost-effective and environmentally preferable use?
23. Does the company set specific objectives to be achieved on resource efficiency? AND Does the company comment on the results of previously set objectives?
24. Does the company report on initiatives to use renewable energy sources? AND Does the company report on initiatives to increase its energy efficiency overall?
25. Does the company report on initiatives to reuse or recycle water? OR Does the company report on initiatives to reduce the amount of water used?