

Consumer reactions to strategic corporate philanthropy in the sport industry

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Abstract 79**

Terms such as "corporate social responsibility (CSR)" and "strategic corporate giving" are prevalent now and characterize a renewed concern in the management field as to how discretionary funds are allocated, and how these practices subsequently effect corporate performance (e.g., Saini, 2001). For many corporations, increasing attention is now being paid to the strategic aspect of CSR, escalating their interests to engage in socially responsible efforts that synergistically align with their profit centered business activities. "Executives increasingly see themselves in a no-win situation, caught between critics demanding higher levels of 'corporate social responsibility' and investors applying relentless pressure to maximize short term profits" (Porter & Kramer, 2002, p. 5). Executive literature, the popular press, and some academic sources note that firms have been moving toward a more strategic approach to corporate philanthropy for nearly 20 years (e.g., Burke, 1992; McAlister & Ferrell, 2002; Porter & Kramer, 2002, 2006; Simon, 1995; Varadarajan & Anil, 1988) yet, the literature is mixed on the effects that philanthropic activity has on a firm's performance (Griffin & Mahon, 1997), and there is little research as to how consumers perceive and react to corporate philanthropy, whatever its organizational intent (Ricks, 2005).

While organizations within the sport industry have traditionally worked to establish their reputations by being involved within their local communities, they have also more recently adopted the corporate approach to large scale giving. More than 400 public charities and private foundations connected to professional athletes and teams operate in the U.S., and contribute well over \$100 million dollars annually to not-for-profit groups (cf. Dodd, 2001; Johnson, 2007). Virtually all major league teams engage in some form of charitable activity, ranging from player volunteerism to cash, ticket and merchandise donations (Extejt, 2004). According to the Sports Philanthropy Project online (2007), "sports philanthropy is the emerging sector within corporate philanthropy through which professional sports organizations forge partnerships and strategically invest in the health and well-being of their communities by dedicating and leveraging both financial and in-kind resources to address local problems." Despite the prevalence and magnitude of these activities within the sport industry, little attention has been devoted to understanding the motivations, strategies, or outcomes derived from them.

Ricks (2005) suggested that strategic corporate philanthropy can take several forms, and he proposed a four category typology to capture the main forms as he saw them. General philanthropy is simply a philanthropic activity not benefiting a particular population segment the company is likely to target for business (i.e., as a response to a negative event). Directed philanthropy however, is an activity directed toward a charity or initiative the organization wishes to support for strategic purposes. Proactive philanthropy has varying purposes for implementation to facilitate the organizations position, such as to increase visibility or enhance corporate image, while reactive philanthropy would be oriented more towards those same goals, however in response to a negative event.

The classification schema put forth by Ricks (2005) served as the primary framework for this study, which assessed differences amongst philanthropy types on the outcomes of reputation and patronage intentions as perceived by potential consumers. The factorial design for this experiment was a 5 x 2 MANOVA design with one independent variable (philanthropy) with five levels (four types plus one comparison group) and two dependant variables (reputation and patronage). In total, 238 surveys were completed. Following the removal of the respondents that failed to process the manipulation check correctly (n=21) and the removal of missing cases (n=7), the collection yielded 210 useable surveys. This resulted in having an average of 42 respondents per cell in the factorial design. The scenario presented to participants was a fictitious Associated Press news release regarding a sporting goods' company profile. The news release presented a brief story regarding the general description of the company, financial overview, CSR activity, and recent news/activity, which remained constant across all cells. The rest of the AP story discussed the company's philanthropic activity, negative events, and/or reaction to the negative events representing each treatment condition. The comparison group did not receive this last section regarding philanthropy. A manipulation check was included to assess whether or not subjects properly interpreted the event manipulations.

Upon inspecting the descriptive findings, two unexpected patterns emerge. First, it seemed clear that the target company for the scenarios has a strong reputation (mean > 5 out of 7), but that did not translate into similarly strong patronage intentions (mean around the mid-point). Secondly, while the general-proactive philanthropic condition was clearly the highest condition rated for both outcome variables, the comparison condition (with no philanthropy described) scored next highest for both. This results stand in sharp contrast to previous work that showed clearly that any type of philanthropic activity is better than nothing at all (e.g., Ricks, 2005).

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Prior to discussing the findings of the study, it was clear that one limitation of the methodology surrounded the choosing of a well known company as the focal point of the press release. In addition to the mean reputation scores being uniformly high across groups, a possible explanation for the mixed results of hypothesis testing may have had roots in the relevance of philanthropic giving for assessing the outcomes of a well known company. Perhaps if a company were less well established, 'intangible' information like philanthropic giving may carry more weight when compared with the other corporate information provided to respondents. So as not to have this issue overshadowing any discussion, we conducted a second data collection in order to isolate any potential "familiarity" effect with the source company.

The second data collection followed the same methodology as the first, except that new categories were created for the focal company, so as to eliminate any potential effect described above. The new categories included: 1) a competing, familiar brand to the original, 2) a non-competing, familiar brand, 3) a fictional sport company, and 4) a fictional non-sport company. For each of the four companies, a minimum of 20 respondents per cell in the factorial design were collected. In total, 546 additional usable surveys were collected, bringing the number of participants included in the overall analysis to 756. The sample demographics for the phase two collection closely mirrored the original sample. Scale consistency was good across all samples, ranging from .95-.97 for reputation and .83-.87 for patronage. Most interestingly, the pattern of results remained remarkably similar for reputation, but discounted the effect found for patronage in the original sample.

The results provided mixed support for the assertion that corporate philanthropy has an overall positive effect on reputation and patronage, suggesting that the response to such corporate acts may be contingent on the "type" of situation being described. The results of this study further suggest that while the typology introduced by Ricks (2005) may have conceptual and intuitive appeal, it may lack the requisite discriminant validity to adequately capture how consumers perceive these philanthropic activities.