

THE PHILANTHROPY EFFECT

Why is it important for businesses to give back, what is their social responsibility and should their donations be seen as a means to give back to the community or simply a great business decision? During the past two decades, the number of charitable foundations in the United States has doubled. Foundations now hold over \$330 billion in assets and contribute over \$20 billion annually to educational, humanitarian, and cultural organizations of all kinds (Porter & Kramer, 1999). When a company offers grants or financial support, local organizations can afford supplies and support for programs that might otherwise go unfunded. The benefits for the recipients of the philanthropic efforts strengthen the community as a whole. Depending on the specific help offered by an organization, the efforts may result in a cleaner community, supplies for schools, food for the poor, a new park, and more opportunities for residents and a boost to the local economy. Businesses who emphasize public service and volunteerism may notice a boost in morale and employees who work together on a volunteer or charity project get to know one another beyond the typical scope of work. When you allow employees to volunteer during the workday, you show them that the company cares about the community and emphasizes a sense of giving. As businesses' philanthropy deeds spread, the community develops a positive impression of the business. People tend to view philanthropic businesses favorably because they are supporting the community that provides them with business (Frost).

Business philanthropy influences the perceptions of the firm in the eyes of a variety of stakeholders including investors, customers, suppliers, actual or potential employees, and the voluntary sector. Philanthropic efforts may, therefore, serve both the needs of communities, and enhance the long-run financial performance of the firm (Brammer & Millington, 2005). Research has shown that there is a positive correlation between philanthropic activity and shareholder wealth the same link can be drawn between corporate social responsibility and corporate financial performance (Godfrey, 2005). Research has also shown that companies that make higher levels of philanthropic expenditures have better reputations (Brammer & Millington, 2005)

Every business is in business to make money, but having a vision and duty that goes beyond the goal of turning a profit gives your company a broader sense of purpose. No matter what the intentions are of businesses' charitable donations, their effect on the local communities cannot be overlooked.

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