**Objectives**

We examine if there is a consistent relationship between when firms make charitable donations to organizations in foreign countries and the firm’s activity in those countries. Secondly, we are curious how the proportion of the firm’s giving to charities in those countries compares to the relative contribution of their subsidiaries in that country to the firm’s aggregate bottom line.

**Introduction: Corporate Philanthropy**

- **Corporate Social Responsibility (CSR)**
  - Wood (1991) defines the term as: “a configuration of principles of social responsibility, processes of social responsiveness, and observable outcomes.”
  - **Is CSR against shareholders’ profit?**
    → Agency Cost Theory: such spending diverts resources
    → Reputational Hypothesis: philanthropy acts as a signal of trustworthiness, enhancing corporate reputation

- **Does CSR help Corporate Financial Performance (CFP)?**
  - There are a large number of empirical studies on this, but no consensus has been made yet
  - **What types of firms engage in CSR?**
    - Navarro et al. (1988): advertising and R&D intensity positively predict CSR
    - Brown et al. (2006): firms with less shareholder monitoring are more likely to have charitable foundation

**Why companies give money overseas**

1. **CSR as a business strategy**
   - Multinational enterprises may be more exposed to CSR demands from stakeholders, and may have more diverse stakeholders.
   - Charitable giving may give a firm a competitive advantage.

2. **Host country politics may influence CSR decisions**
   - With the increase in perceived corruption, MNE’s focus on ethical codes increases.
   - Firms with CSR focus on ethical codes tend to be assertive with the government.
   - Firms with CSR focus on philanthropic contribution and resource accommodation tend to be cooperative with the government.

3. **Host country characteristics may influence CSR**
   - Corporations may view CSR as a means of gaining access to local political and business elites.
   - Government assistance may proxy for the level of local charitable needs, and corporations may give accordingly.

**Data and Summary Statistics**

**MAP OF CROSS BORDER GIVING**

$399,021,365 to 2,875 Recipients for 8,309 Grants from 161 Grantmakers

Currency amounts are in U.S. dollars.

**Regression Model and Data**

\[ \text{Giving}_{it} = \beta_0 + \beta_1 \text{Entry}_{it-1} + \beta_2 \text{Entry}_{it} + \beta_3 \text{Entry}_{it+1} + \beta_4 \text{Host Country Institutional Characteristics}_{it} + \beta_5 \text{Host Country Market Characteristics}_{it} + \beta_6 \text{Total U.S. Corporate philanthropy}_{it} + \beta_7 \text{Total U.S. ODA}_{it} + \beta_8 \text{Total non-U.S. ODA}_{it} + \gamma \text{Firm Characteristics}_{it} + \varepsilon \]

- Actual market entry in year \( t+1 \) will instrument for year \( t \) expectations for market entry in year \( t+1 \)
  - Directory of Cross-Border Giving, Foundation Center
  - Directory of Corporate Affiliations
  - Compustat
  - Global Insight
  - U.S. Government
  - World Bank

**Conclusion and Expected Results**

We expect to find evidence that
- Firms consider corporate philanthropy to be a cost of doing business,
  - to facilitate government relations prior to entry when entering countries with more challenging business environments.
  - to serve as marketing in more competitive markets.
  - with no consistent pattern to the timing, consistent with the U.S. Foreign Corrupt Practices Act (1977).
- Firms direct their overseas giving to the countries that are more important to their organization.
- Corporate giving is
  - not influenced by levels of U.S. ODA.
  - influenced by levels of total ODA, which would be consistent with corporations competing in a global marketplace where customers expect companies to act in certain ways irrespective of a firm’s nationality.