

ACKOFF FELLOWSHIP APPLICATION FORM

Deadline: March 3, 2013 (midnight)

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How did you learn about the Ackoff Fellowship:

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Faculty Advisor Name: Witold (Vit) Henisz E-mail henisz@wharton.upenn.edu

Faculty Department: Wharton Management Department

Project Title: The Drivers of Corporate Philanthropic Catastrophe Response: The Firm-Community-Event Triad

Amount of Request: \$2,950

Other sources of Support for your research:

Travel \$2,000 (Ciber Lauder)

Grants \$_____ Other (Specify) \$_____

Note: In lieu of signature, Vit Henisz has been copied on my electronic grant submission.

Descriptive Summary of the Project

In the aftermath of the Tōhoku tsunami that devastated east Japan in 2011, the response from firms around the world towards relief and recovery was overwhelming. Corporate donations accounted for over 58 percent of the total international aid for the event, which means that firms pledged a total amount greater than the contribution from individuals, national governments, and multinational agencies together. Similarly, one year before, the earthquake in Chile prompted firms to pledge the largest share of the total international aid for the event, 51.3 percent (OCHA, 2013; BCLC, 2013; White, 2012; Foundation Center, 2013). In other words, in recent years, firms have not only assumed a critical role in catastrophe response, but they have surpassed the contribution of traditional schemes for financing relief and reconstruction—a situation that has no registered precedent in the history of corporate charity and catastrophe management.

Although reports of firms helping fund relief and reconstruction by donating cash, providing goods or services, or taking active roles in post-catastrophe logistics date back the late 1800s (Muller and Whiteman, 2008, De Alessi, 1975; Douty, 1971), the frequency of corporate philanthropic catastrophe response (CPCR) has increased significantly during the last 10 years. This increasing role of the corporate community is becoming a central topic in the agenda of the main international forums dedicated to catastrophe-risk management in an attempt of national governments and multilateral agencies to foster its development in an organized and formal fashion (White, 2012).¹ However, the statistics show that CPCR remains a greatly variable phenomenon across firms and across events. Statistics show that generally firms that donate heavily for a catastrophe do not donate for another and the top corporate donors generally differ by event (BCLC, 2013; White, 2012).

What factors help explain the raise and variance of CPCR? The relatively young empirical literature in this topic provides limited and, in some cases, contradictory answers to this question. For example, while some authors show that firms that are local to the regions affected by the catastrophe donate the most (e.g., Crampton and Patten, 2008; Muller and Whiteman, 2009), others find that locally-headquartered corporations' philanthropic expenditure is relatively low in the wake of high-impact catastrophes (e.g., Tilcsik and Marquis, 2013). Building merely on prior studies, we are not able to understand why firms with comparable characteristics, operating in the same industry, and headquartered in the same area show different CPCR behavior. Or why the frequency of corporate pledges for the 2010 earthquake that destroyed Port-au-Prince, Haiti was higher than for any other catastrophe ever recorded, including the

¹ An example is the forthcoming Fourth Session of the Global Platform for Disaster Risk Reduction—"the world's foremost gathering of stakeholders committed to reducing disaster risk and building the resilience of communities and nations"—whose agenda focus in three main constituencies, being the first one the role of the private sector in helping create disaster resilient societies (<http://www.preventionweb.net/globalplatform/2013/home>).

catastrophes in Japan and Chile (OCHA, 2013), but average donation per firm was significantly smaller than for other catastrophes (White, 2012).

Therefore, we approach the study of CPCR by proposing a theoretical model comprising three levels of analysis: the firm, the beneficiary community, and the event. In this theoretical exercise, we reflect on the reasons behind the decision of engaging in socially-beneficial activities. Our study departs from the traditional argument that firms' socially-beneficial behavior follows exclusively profit maximization (Stromberg, 2007) by proposing a theoretical framework where corporate decision makers follow a mix of social preferences and strategic considerations when engaging in corporate philanthropy after a catastrophe. We argue that managers make a decision as to whether to give to a catastrophe relief fund based on their cognitive connection with the victims, a calculation of the likely need of the community, the impact that their donation will have on that need, their capacity to donate, and the reputational benefits or societal punishments that they themselves will receive. Our approach draws on theories of decision-making under risk (e.g., Kahneman and Tversky, 1979), collective action (Downs, 1957; Olsen, 1971; Schelling, 1978), social preferences (Kreps, 1970; Brown, 2008; Becker, 2008), ecology of organizations and isomorphism (Henisz and Delios, 2001; Marquis et al., 2007), and institutional theory (Henisz, 2000; Guillen and Suarez, 2001; Berry, et al., 2010).

We aim at demonstrating the theoretical contribution of our approach by analyzing the drivers of philanthropic responses of the 2,011 largest multinational corporations to the relief fund of natural catastrophes that affected different countries in the period of 2002-2012. The 2013 Ackoff Fellowship would help us 1) complete tracking of corporate-donation for 10 events and coding of firm-level information and 2) present the study in major conferences in 2013.

References

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- Muller, Alan, and Roman Kräussl. "Doing good deeds in times of need: a strategic perspective on corporate disaster donations." *Strategic Management Journal* 32.9 (2011): 911-929.
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- Tilcsik, Andras, and Christopher Marquis. "Punctuated Generosity: Events, Communities, and Corporate Philanthropy in the United States, 1980-2006." *Communities, and Corporate Philanthropy in the United States 2006* (2013).
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Budget of Anticipated Expenses

The activities I intend to fund through the Fellowship are primordially data collection and processing and presentations in two major conferences. In the table, I present the outline of these costs:

Item	Description	Unit Cost	Total Cost
Data gathering and processing	Paying assistantship for coding, cleaning, and merging data from the different sources of catastrophe donation data. Mainly, tracking using Factiva, Lexis Nexis, and the <i>Financial Tracking Service (FTS)</i> Service provided by <i>United Nations</i> Office for the Coordination of Humanitarian Affairs (<i>OCHA</i>). We aim at increasing the number of events to 30. Additionally, we will be completing firm-level data, particularly community-firm distances and level of investment in the affected community.	\$13/hour 50 hours per research assistant Three research assistants	\$1,950.00
Travel expenses	Support for presenting the research proposal in the Academy of Management 2013 and the Strategy Management Society 2013		\$1,000.00
Total Estimated Budget			\$2,950.00

Use of 2012 Ackoff Fellowship

Thanks to the Fellowship I was able to collect and code about 60 percent of the data for the study. We tracked corporate donations for the relief fund of natural catastrophes that occurred between 2002 and 2012, inclusive. We have used three sources to collect and corroborate these data: i) tracking via Factiva and Lexis Nexis, we analyzed corporate press releases, company websites, major news publications, country reports, and press releases, among other sources; ii) the Financial Tracking System of the United Nations Office for Coordination of Humanitarian Affairs (OCHA), which is a global database that records self-reported international humanitarian aid for different humanitarian crises; and iii) the Corporate Aid Tracker of the Business Civic Leadership Center (BCLC) of the U.S. Chamber of Commerce. For each catastrophe, we recorded CPCR, which is a binary variable that takes value of one if a focal firm donated to a given catastrophe, and amount of CPCR defined as the total dollar amount of donation. We have cleaned, coded, and processed data for 15 events and we aim at increasing this number to 30. The current 15 events affected over 106 million of people, causing at least 1,225 deaths, and inflicted an estimated economic damage of 551 billion of U.S. dollars in four continents.

We use secondary data on firms, affected communities, and catastrophes (see Table 1 for a description of the indicators):

1. *Firm*. We collected longitudinal data on the 2,011 largest publicly-listed corporations at the international level by total revenue in 2012 from Capital IQ, Compustat and the Directory of Corporate Affiliates. These business units account for about 93 percent of the total number of observed catastrophe responses and represent 61 countries.
2. *Community*. The main sources of community-level data are the World Development Indicators (World Bank) and the Human Development Indicators (United Nations Development Programme).
3. *Event*. We obtained catastrophe data from the International Disaster Database of the Centre for Research on the Epidemiology of Disasters (CRED). This institution is supported by the World Health Organisation and represents the most comprehensive international database on catastrophes.

Additionally, I went to Turkey and Mexico to understand the role of public policy to encourage private-sector participation in disaster-risk management. I met with representatives of government agencies that have been in charge of mainstreaming best practices of natural-disaster-risk reduction and disaster response.² Furthermore, my trip to Turkey helped me learn more about the evolution of corporate disaster response over the years and foster relationships to obtain secondary-data on these donations.

² List of organizations and people I met with in Mexico and Turkey was sent to Chioma Fitzgerald and is available upon request.