

**Between Corporate Philanthropy and Development: A Nexus of Funding Strategies
for Achieving Optimal Results**

By

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Abstract

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This thesis will examine the distribution of philanthropic corporate funds that are directed towards development projects. It assesses different strategies in which a corporation can choose to distribute its earmarked financial contributions towards international development projects. Further, through the evaluation of corporations’ distribution of funds, this thesis will identify three types of funding strategies: The Fully Dependent and Controlled Strategy, that allows a corporation to attach the sale of its product to a philanthropic initiative; The Distinct but Controlled Strategy, whereby philanthropic projects are funded under the umbrella of the corporation through a philanthropic wing or arm; and, The Functionally Independent Strategy, defined as a philanthropic foundation funded by a corporation, where the former is a separate legal entity. This thesis argues that the funding and legal structure that clearly separates the philanthropic decision making and implementation efforts from those of the sponsoring corporation, is the best alternative to minimize the potentially negative impacts and maximize the potentially positive impacts that, according to the literature, philanthropic efforts can have on their beneficiaries through development projects.

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Chapter One: Introduction

1.1 Introduction

Philanthropy has become a fashionable tool used by celebrities, corporations, and social elites to fund and engage with a range of development issues. Due to the vast capital at their disposal, they are able to leverage their funds to a marketable advantage by supporting developmental projects of their choosing in the Global South. Philanthropy is not a new idea; rather, it emerged in a precursory form in the early nineteenth century when Christian organizations would utilize funds to help the poor.¹ However, since then, philanthropy has dramatically shifted. Andrew Carnegie and John D Rockefeller were two of the first individuals that began to focus on corporate-sourced philanthropy in the early 1900s. Carnegie argued that it was crucial for large wealthy entities, such as corporations, to transfer funds to help the poor, disabled and elderly, as an extracurricular activity.² Rockefeller, similar to Carnegie, called for a corporate philanthropic model that would result in empowering the poor and dissolving any barriers faced by marginalized populations.³ However, philanthropy has more recently grown from the ‘rich helping the poor’ to a strategy employed by wealthy individuals and corporations, to satisfy their own strategic-interests.⁴ Thus, the purpose of this thesis is to explore this shift and aims at examining what methods or strategies corporations currently utilize when directing their philanthropic funds towards development projects.

¹ Lisa Ann Richey and Stefano Ponte, *Brand Aid: Shopping Well to Save the World*, (Minneapolis: Quadrant, 2009): 125.

² Richey and Ponte, *Brand Aid*, 125.

³ *Ibid.*, 125.

⁴ Gavin Fridell and Martijin Konings (Eds.), *Age of Icons: Exploring Philantropcapitalism in the Contemporary World*, (Toronto: University of Toronto Press, 2013): 7-8.

There are two central concepts that need to be defined for this thesis: philanthropy and capitalism. While philanthropy is an encompassing and complex term that can refer to an array of actions, this thesis will only be focusing its efforts on *transnational corporate philanthropy*, which can be defined generally as a transfer of capital or resources from a corporation to developing communities through diverse pathways. Transnational corporate philanthropy is an approach or act of a multi-national company or a company with international links using its resources to fund projects and programming directed at improving the welfare of others and/or providing a form of ‘public good’.⁵ Throughout this thesis when using the term *philanthropy* it is referring to the transnational corporate variant, as opposed to celebrity philanthropy or other forms, unless stated otherwise. In addition, the term *capitalism* is used throughout this thesis, thereby requiring a clear definition. Often development critics of philanthropy use this particular term as a blanket reference to *neoliberal capitalism*, which they argue can be utilized to explain the current contemporary capitalist model. This neoliberal capitalism model advocates for economic liberalization, privatization, free trade, and the enhanced role of the private sector. When referencing capitalism, this thesis will be relying on an objective definition of neoliberal capitalism, drawing specifically on its core branches of financialization and globalization, which are premised off the circulation of monetary assets, the accumulation of profits, and corporate ownership of money.⁶

Although this thesis is specifically examining corporate philanthropy, which includes corporate giving and external philanthropic endowments, it is essential to

⁵ Erin Ehrlich, “Defining Corporate philanthropy,” *Double the Donation*, Published September 2013, <https://doublethedonation.com/blog/2013/09/defining-corporate-philanthropy/>. (Accessed July 1, 2015).

⁶ John Scott and Gordon Marshall, *Dictionary of Sociology* (Oxford: Oxford University Press, 2009): 60.

contextualize this theme within the larger framework of development and global aid. Although international institutions, non-governmental organizations (NGOs), states, and corporate donors are all players in the realm of development, this paper will explore but the private sector and their wide breadth of engagement modalities. The Hudson Institute's 2013 *Index of Global Philanthropy and Remittance* further breaks down the role played by the private sector in the arena of global development aid. The Index begins by outlining that the financial flows between developed and developing countries have significantly changed in the last 40 years, now with over 80 percent stemming from the private sector and only 20 percent directly sourced from governments.⁷ In 2011, the total private sector philanthropy contributions originating from Development Assistance Committee (DAC) countries alone was US\$59 billion.⁸ The Index furthers this analysis by breaking down the total philanthropic funds that were directed by corporations and external foundations. The Index cites that from 2010-2011 American philanthropic foundations, both public and private, and corporations gave US\$4.6 billion and US\$7.6 billion to developing countries respectively.⁹ When examining the flow of funds, not international specific but also including domestic giving, American corporations and foundations gave significantly more. The National Philanthropic Trust outlines that in 2014, foundations gave US\$53.7 billion, up by 8.2 percent, while corporations contributed US\$17.7 billion, up by 13.7 percent from 2013 both domestically and internationally.¹⁰ Outside the United States, the Index makes note that in 2010 Japanese

⁷ Hudson Institute, "The Index of Global Philanthropy and Remittances," *Center for Global Prosperity*, (2013).

⁸ Hudson Institute, "The Index of Global Philanthropy and Remittances," 5.

⁹ *Ibid.*, 9.

¹⁰ National Philanthropic Trust, "Charitable Giving Statistics," <http://www.nptrust.org/philanthropic-resources/charitable-giving-statistics/> (Accessed August 15, 2015).

philanthropic contributions to international development amounted to over US\$5.5 billion, significantly higher than the US\$467 million that was provided to the OECD-DAC fund by the Japanese government.¹¹

To place these numbers in context, the World Health Organization (WHO) projects that in 2016-2017 they will budget nearly US\$4.4 billion to their focus areas of operation, outlining that this is an increase of US\$236 million from the previous 2014-2015 budget.¹² The WHO's budgetary allowance per year from member states is comparable to that of the Bill and Melinda Gates Foundation, which has total net assets of over US\$42.9 billion and, in 2014 alone, provided a total of US\$ 3.9 billion to health related development programming.¹³

Continuing this brief comparative analysis, USAID, one of the largest aid and development organizations in the world, highlights that although their total assets are valued at over US\$34 billion, in 2014 they would spend but a third, at US\$11.6 billion.¹⁴ Although this is substantial, the above examples demonstrate the material resource and monetary contributions that corporations and private sector philanthropic actors provide to on-going international development and aid efforts. This thesis focuses its analysis specifically on this trend, arguing that while transnational corporate philanthropy is only a portion of total global aid distribution, it is, however, a burgeoning force and substantially relevant player in development endeavours, which necessitates further analysis.

¹¹ Hudson Institute, "The Index of Global Philanthropy and Remittances," 11.

¹² World Health Organization, "Proposed Programme Budget 2016-2017," Published April 30, 2015, http://apps.who.int/gb/ebwha/pdf_files/WHA68/A68_7-en.pdf?ua=1 (Accessed August 2015).

¹³ Bill and Melinda Gates Foundation, "Foundation Fact Sheet," <http://www.gatesfoundation.org/Who-We-Are/General-Information/Foundation-Factsheet> (Accessed August 2015).

¹⁴ USAID, "Ending Extreme Poverty: Agency Financial Report Fiscal Year 2014," https://www.usaid.gov/sites/default/files/documents/1868/USAID_FY2014AFR.pdf (Accessed August 2015): 29.

Of note, this is not to argue that these private sector actors are the primary or dominate source of funding in international development, but rather that they do give a large amount of capital internationally. The United Nations (UN) outlines that although the role of private and public foundations play a significant role in international development, they cannot compare to the *net worth* of Official Development Assistance that reached over US\$135.2 billion in 2013.¹⁵ Indeed, data on private sector philanthropic contributions to international development is sorely lacking; *The 2013 Index of Global Philanthropy and Remittance* argues that emerging economies, such as Brazil, China, India, and South Africa, continue to be information black holes, due to their nature of governance and transparency, public reporting requirements, and their being both new and growing players. Thus, it can be difficult to find and measure the exact flow of philanthropic funds from foundations and corporations.¹⁶

1.2 The Rise of Corporate Dominance

When discussing the vast contributions from companies, through their philanthropic endeavours, there is a need to outline the growth in transnational corporate dominance to draw attention to how they have become global actors. In the early 1980s, with the implementation and continued Western governmental support of neoliberal policies, the state became a fostering environment for corporate growth.¹⁷ At the core of neoliberal policies is the emphasis on private-sector led economy growth, significant cuts on public spending, privatization of state and public entities, and the elimination of

¹⁵ OECD, “Development Aid Stable in 2014 but Flows to Poorest Countries Still Falling,” <http://www.oecd.org/dac/stats/development-aid-stable-in-2014-but-flows-to-poorest-countries-still-falling.htm> (Accessed Sept 27, 2015).

¹⁶ Hudson Institute, “The Index of Global Philanthropy and Remittances,” 12.

¹⁷ Fridell and Konings, 2013, 7-8.

regulations that limit the flow of trade and international investment.¹⁸ For example, every decade since the implementation of neoliberal policies in the early 1980s, foreign direct investment (FDI) tripled.¹⁹ In this context, FDI is important to examine because it is connected to the rise of corporate material wealth, influence, and power, which has fostered their financial ability to fund international development projects. Thus, the total of FDI in the 1930s was at a relatively small US\$41.6 million but by the 1990s it reached an all time high of US\$1.704 billion.²⁰ This dramatic increase in FDI shows how the progression of neoliberal policies has shifted emphasis from state led economic intervention to market driven growth, thereby ensuring a lesser role for states, which in turn allowed corporations to accumulate significant financial resources and power. It is these policies that have shaped the political and economic frameworks that are still followed today, leading to an omnipresent manifestation of global capitalism.²¹ While within the current system of capitalism, the average income has soared for a selected few, it has only contributed to a growing gap between the rich and poor.²² The International Labour Organization (ILO) states that between 1990 and 2005 over two-thirds of countries faced a rise in income inequality.²³ In addition, Oxfam International released a report that outlines that by 2016 the top one percent of the world's population will own more than half of the global wealth. Further, since 2011 the top 80 individuals have

¹⁸ Fridell and Konings (Eds.), *Age of Icons*, 7-8.

¹⁹ Alan Hedley, "Transnational Corporations and their Regulations: Issues and Strategies," *International Journal of Communication Systems*, 2 (1999): 215.

²⁰ Hedley, "Transnational Corporations and their Regulations," 216.

²¹ Matthew Bishop and Michael Green, *Philanthrocapitalism: How Giving Can Save the World* (New York: Bloomsbury Press 2008):15.

²² Fridell and Konings, *Age of Icons*, 8.

²³ *Ibid.*

doubled their wealth.²⁴ In addition, the combined wealth of the top twenty richest citizens in the world now equates to a combined GDP of the forty-nine least developed countries.²⁵ It is these wealthy ‘tycoons’ and corporate elites that have the ability to fund philanthropic development projects. The development aid agenda has begun to shift due to the increased influence and breadth of capitalism. As several states began to provide less support to social services and development issues, corporations have begun to fill the gaps, particularly as non-governmental organizations (NGOs), and official development organizations have now had to turn towards profitable firms for funding, as opposed to sourcing funding from robust national development budgets which have since been reduced in most OECD-DAC countries. Although not the central focus of this thesis, it is noteworthy that there are numerous reasons why corporations are filling the gaps left over by state funders. For example, neoliberal critics argue that the primary reason corporations participate in philanthropy is because of the financial benefits they receive.²⁶ A more nuanced approach would argue that branding instils a positive image of the corporation with their consumers, therefore becoming the main reason why the company would fund development.²⁷ However, there is extensive literature that argues corporate philanthropy is distinct from self-motivation, and rather it is practiced by those who only want to ‘do good’ for the world.²⁸ The range of reasoning and rationale regarding the reasons corporations fund development projects is a complex and convoluted topic, and although not explored in this thesis it can act as a starting point for future research.

²⁴ Laura Kiesel, “The 1% Will Own Half of Global Wealth by 2016, but Oxfam Has a Plan to Even Things Out,” *Mainstreet*, Published May 7, 2015, <https://www.mainstreet.com/article/the-1-will-own-half-of-global-wealth-by-2016-but-oxfam-has-a-plan-to-even-things-out> (Accessed September 19, 2015).

²⁵ Fridell and Konings, *Age of Icons*, 9.

²⁶ *Ibid.*

²⁷ Richey and Ponte, *Brand Aid*.

²⁸ Bishop and Green, *Philanthrocapitalism*.

To further outline corporate dominance, on July 26, 2000, then-United Nations Secretary-General Kofi Annan introduced a Global Compact, which would become one of the world's largest corporate citizenship initiatives.²⁹ Annan explained that through this initiative, the market and the role of corporations in development would be given a 'human face'. Thus, this voluntary strategy would support corporations adopting sustainable and responsible approaches to their business strategies. The Compact was launched with the support of several corporations, UN agencies, and a range of NGOs. The UN's concept of partnership with corporations was furthered at the OECD's *South Korea Forum* in 2011, where Ban Ki-Moon, the current Secretary-General of the United Nations, explained that 'partnership is the way' with the private sector in development, and that there must be conversations between governments, communities, private enterprises, and philanthropic and non-governmental organizations surrounding this partnership.³⁰ Although the Global Compact focuses on responsible and sustainable approaches to development, and not specifically corporate philanthropy, this announcement by Ki-Moon further emphasizes the importance that has been placed, at least at the level of multilateral representative organizations, on the role of private sector actors in development.

Further cementing the rise and recognition of corporation inclusion in international development through philanthropy by multinational entities is the *Post-2015 Development Agenda* set by the United Nations to follow the Millennium Development Goals (MDGs). The *Post-2015 Agenda* includes the role of philanthropy and the private

²⁹ Andreas Rasche, "A Necessary Supplement: What the United Nations Global Compact is and is Not," *Business and Society*, 48.4 (2009): 514.

³⁰ OECD, "Bussan Forth High Level Forum on Aid Effectiveness: Proceedings," <http://www.oecd.org/dac/effectiveness/Final%20file.pdf> (Accessed November 8, 2014).

sector in its future goals for development, with the implication that there must be a presence from the private sector to achieve sustainable development despite not specifying what that presence may actually entail.³¹ Initially, with the implementation of the MDGs in 2000, philanthropy was not directly included in any goal that the *Declaration* outlined to reduce poverty.³² Although Goal 8 does focus on co-operation with the private sector, the collaboration between philanthropic donors and states was not present. The *Post-2015* goals, however, now explicitly include representatives from philanthropic organizations and the private sector to strengthen development cooperation for the future development agenda. The United Nations Economic and Social Council will play an important role in the monitoring and implementation of the *Post-2015 Development Agenda* and they have outlined the need for civil society, philanthropic organizations, and the private sector to be all directly involved in the framing and application of a future development agenda.³³

The current neoliberal economic system fosters a conducive environment which corporate actors can leverage to pursue (often self-interested) philanthropic endeavours, an approach that is often accepted and supported as an answer to this set of issues by a range of international agencies and organizations. In addition, the Organization for Economic Co-operation and Development (OECD) has released articles that focus on the need to integrate corporations in decision-making regarding international development. As one of their representatives, Michael Green explains that in the past, private donors and states have kept each other at ‘arms length,’ meaning, that they would not build and

³¹ United Nations, “Millennium Development Goals and Post-2015 Development Agenda,” <http://www.un.org/en/ecosoc/about/mdg.shtml> (Accessed November 8, 2014).

³² United Nations Millennium Projects, “What They Are,” <http://www.unmillenniumproject.org/goals/> (Accessed July 1, 2015).

³³ United Nations, “Millennium Development Goals and Post-2015 Development Agenda.”

execute development strategies together. Today, however, it is asserted that philanthropy is becoming a central part of ‘global efforts’ to support and fund development. Indeed, the OECD argues that the success of future development projects and the management of these two actor-types will dictate future partnerships and progress in regards to development, for it is corporations that are funding the initiatives.³⁴

At face value, corporate philanthropy could be seen as a positive development in international aid architecture, for they are facilitating the flow of funds towards development projects but, as one might expect, there are numerous critiques and associated risks with the private sector becoming lead actors in the international development sector. With the escalation of philanthropy being recognized by international development organizations, it is central to examine how corporations are funding development projects. Recently philanthropy has been declared a ‘win-win’ for both the corporation and the recipients, however has been debated by both critics and enthusiasts.³⁵

1.3 Research Objectives and Research Question

Corporations are funding and implementing philanthropic projects around the world, becoming more financially and materially influential players on the international development stage. It is therefore vital to examine and understand how they are funding development projects. Through an extensive literature review previously completed by Arthur Gautier and Anne-Claire Pache, published in 2013, on the role of corporate philanthropy and development, it is clear that the topic of funding strategies continues to

³⁴ Michael Green, “Philanthropy and Official Development Assistance,” *OECD and NET FWD*, Published 2014, <http://www.oecd.org/site/netfwd/Philanthropy%20and%20Official%20Development%20Assistance%20A%20Clash%20of%20Civilisations.pdf>. (Accessed November 9, 2014).

³⁵ Bishop and Green, *Philanthrocapitalism*.

sorely lack an invested research effort.³⁶ The authors explain that it is necessary to distinguish between different funding strategies, as often each approach is followed by a corporation for distinct reasons, as each strategy has a different relationship with the company's structure and the decision making process. Thus, Gautier and Pache argue there is a need to further examine the different funding strategies followed by companies in order to address this academic literature gap, and provide an understanding of the core components of how transnational corporations are funding philanthropic development projects.³⁷ As such, this thesis works to answer the following research questions: by what methods or strategies today do corporations fund international development projects and initiatives, and how might one method or strategy be more consequential to and impactful for international development, given the current global economic system?

The following thesis will aim at addressing this research or “knowledge” gap outlined by Gautier and Pache by looking at several case studies of how transnational corporations, define, prescribe, and manifest their (self) interests through the vehicle of philanthropy. By doing so, it aims to frame a taxonomy of the main funding structures used by corporations to fund international development projects. As such, this thesis argues for and conceptualizes a thematic breakdown of this research area as three primary funding strategies that corporations follow when they fund philanthropic development initiatives. Breaking corporate philanthropy into distinct strategies allows for necessary separation between different funding tactics. This fosters further investigation by this project into the benefits and drawbacks of each strategy, through the application of existing research by both corporate-led development enthusiasts and skeptics on the need

³⁶ Arthur Gautier and Anne-Claire Pache, “Research on Corporate Philanthropy: A Review and Assessment,” *J Bus Ethics*, 343 (2015): 363.

³⁷ Gautier and Pache, “Research on Corporate Philanthropy, 363.

of philanthropy to fill funding gaps leftover by government and traditional donors. As such, this thesis' literature review will outline central debates, proponent arguments, and essential objections on and of philanthropy, breaking down the rhetoric and underscoring both positive and negative realities. While providing evidence for the existence of three common corporate-led strategies of *funding* development, this thesis will expand on authors whom have opted in their own research for a rudimentary, broad-strokes understanding of corporate philanthropy based on a binary position of it being either 'good' or 'bad'. Building directly from specific case studies presented for each funding strategy, the thesis argues that this field of study must now begin to take a more nuanced approach to understanding different funding strategies or risk oversimplification of the issue as a whole. Each case study will be reflected back to broad debates of the field, demonstrating how previous authors have succeeded or failed in their analysis, based on their aggregation of the methods by which corporations and private sector actors fund international development.

Following the literature review, Chapter 3 is dedicated to analyzing the first identified corporate-led funding for development: The Fully Dependent and Controlled Strategy. By utilizing and investigating the example of TOMS and the methodological approach of the RED Campaign, it will be demonstrated that the first strategy is defined as the fundamental marriage of corporate financial gain, and a development brand. In this regard, a corporation builds its existence and overall business model on 'selling development,' and is thus unable to separate its organizational structure from the cause. Subsequently, Chapter 4 focuses on a second funding approach, termed The Distinct but Controlled Strategy. Through a detailed exploration of the philanthropic work done by

Coca Cola, this section argues that this strategy is comprised of a company and a philanthropic wing that are directly, both ideologically and physically, tied to one another. It is revealed that the corporation under this second strategy will persistently remain at the centre of decision making, sharing resources, and framing and setting the agenda of its Philanthropic wing. Finally, Chapter 5 outlines the positive and negative aspects that arise from a third strategy, when a corporation funds, but remains at arms length, organizationally distinct, physically independent, but ideologically similar to a related philanthropic foundation. Using the case study of the MasterCard Foundation, I argue that this third corporate funding strategy, although still problematic for some in the continuing debate on philanthropy, is the best possible and available option given the dynamics and characteristics of the current global capitalist system and the on-going interventions by private sector actors in international development.

Due to the limited size and scope of this thesis, it is noteworthy to address that this paper does *not* exclusively focus on whether corporations are inherently altruistic or ‘evil’ nor on the individual, negative actions taken by companies when working in developing countries, although both are broached as part of critical perspective analysis and review. This thesis focuses instead, and specifically, on three possible *funding strategies* that corporations can and do follow when participating in international development. It is *not* an evaluation of whether corporate ‘giving’ is good or bad, but rather exploring how that giving is organized and takes place.

1.4 Methodology

In order to fulfill the research questions, this thesis will use a qualitative research methodology approach, complemented with the use of comparative analysis. I will work

to establish a baseline of corporate philanthropy through a meta-evaluation of existing literature. I will utilize literature from previously conducted investigations by academic sources, media outlets, independent international organization and observer reports, and publicly available corporate documentation and data sets to provide a baseline knowledge survey on the status of corporate philanthropy today. Further, using secondary source material allows this thesis to explore the debate surrounding philanthropy from the perspectives of corporate enthusiasts and private sector development skeptics and detractors. This spectrum approach will then be applied to each funding strategy to highlight the outcomes and opportunities received and obtained by both funders and recipients.

Through this qualitative thesis, I will primarily draw upon secondary source materials when analysing ‘corporate philanthropy.’ Through the following discussion it will become clear that there are several pervasive gaps in current literature surrounding the governance structures that corporations follow when directing and diffusing their philanthropic capital. Based on these gaps and the research conducted for this thesis, I have created three distinct funding strategies which I argue are critical to understand when examining the role of corporate philanthropy in development. Via the use of case studies, I will make consistent reference to both the governance and financial structures of each of my strategies while also drawing reader attention to four additional elements of analysis: the role of the consumer in relation to the corporation and its philanthropic projects; the flexibility of a corporation’s ability to fund different types of projects; whether the corporation’s actions address symptoms or root causes of development issues; and, related brand and/or market development.

George Steinmetz explains that often qualitative research methodology is critiqued by positivists and incommensurabilists for not being a scientific method. However, in the social science it has been proven to be an extremely useful approach.³⁸ Steinmetz explains that case studies and small-n comparisons should be seen as a, “privileged form of sociological analysis, due to the ontological peculiarities of the social.”³⁹ Simply put, comparison studies correspond to events and social structures that can depict and illustrate the details and qualities of studied societies while allowing qualitative research to obtain a certain level of scientificity.⁴⁰ Further, the use of comparisons have become a base of social science research as they allow for investigation into multiple examples, which supports the research in drawing out reoccurring patterns and similarities. The construction of sociological knowledge does not stem strictly from quantitative research; rather it encompasses aspects from many case studies, comparisons and theories. Therefore, this thesis will use a qualitative comparison of corporations funding development projects.

³⁸ George Schinzmtz, “Odious Comparisons: Incommensurability, the Case Study, and ‘Small N’s’ in Sociology,” *Sociological Theory*, 22:3 (2004).

³⁹ *Ibid.*, 372.

⁴⁰ *Ibid.*, 372.

Chapter Two: Literature Review

In order to understand the complex concept of corporate philanthropy, it is important to review existing literature including core arguments from both detractors and enthusiasts of this area of practice. This chapter will trace the use of different terminologies, arguments, and theoretic approaches, outlined by a range of literature, in order to deconstruct corporation philanthropy and its role in development. It will be broken into two main sections. First, there will be a review of literature that argues for the fundamental importance of philanthropy in development today. This section will investigate the arguments that philanthropy is a central funding mechanism for development projects and that it can positively fill material, financial, and resource gaps left by states as they withdraw from social spending. The second section will examine critical arguments that break down the ‘fantasy’ that corporate philanthropy is a positive evolution in international development practice. Although this thesis focuses specifically on corporate philanthropy, celebrity philanthropy is often referenced as it holds several similar tenets.

2.1 The Defense of Corporate Philanthropy

“Despite the economic crisis, philanthrocapitalism remains a vital force with the potential to transform how society solves its toughest problems.”⁴¹

When corporations enter into global development initiatives they are often viewed with skepticism. Former U.S. President Bill Clinton argues, however, that it is through these philanthropic initiatives that corporations and the elite are able to transfer their private capital into advancing the public good, and as such, they should be embraced and

⁴¹ Bishop and Green, *Philanthrocapitalism*.

supported.⁴² Bill Clinton adds his voice to the growing chorus of commentaries which suggest that philanthropy from private elites or corporations is essential, although, he does argue that states and their role should still be prioritized as they formulate the laws, regulations, programs, and policies.⁴³ The former President draws on several examples to show how philanthropy has been successful, funding projects that states have not been able or willing to do themselves. Clinton states that philanthropy has “the capacity to do great things” and corporations can use their capital to “save the world.”⁴⁴ In the book, *Philanthrocapitalism*, Matthew Bishop and Michael Green argue that in today’s economy, the act of philanthropy is crucial to fill the gaps where government financial support is limited, thus necessitating the work of many celebrities and large corporations in global development initiatives. Philanthrocapitalism, according to Bishop and Green, is using the tools of money-making to end poverty. They note that “politicians have elections to worry about, company bosses have their shareholders, and most NGOs are in constant fundraising mode. Philanthropists have no one to answer to.”⁴⁵ Thus, they have both the financial means and opportunity to step in where governments have faltered or displayed inaction and provide new solutions to developmental projects across the globe.

Adding to this, Robert Payton and Michael Moody promote the importance of philanthropy as a way to “make a difference,” particularly as a means to help with the realities of man-made or natural disasters. Often citizens in developing countries are at risk of not having the material resources at their disposal when hit with a natural disaster;

⁴² Bishop and Green, *Philanthrocapitalism*, Forward.

⁴³ Bill Clinton, *Giving: How Each of Us Can Change the World* (New York and Toronto: Alfred Knopf): 185.

⁴⁴ Clinton, *Giving*.

⁴⁵ Bishop and Green, *Philanthrocapitalism*, 283.

Payton and Moody argue that philanthropy can fill these gaps.⁴⁶ They suggest that if the state is unable to ‘step in’, philanthropy can be the response needed as these transnational corporate development actors have both the capital and ability. Along similar lines, Bishop and Green showcase the example of Wal-Mart and the company’s ‘exceptional’ response to hurricane Katrina in 2005. Wal-Mart’s Chief Executive Officer Lee Scott explains that due to the size and scope of the corporation, it was able to use its trade and shipping expertise to reach the hurricane victims faster than anyone, in order to provide clean water and supplies.⁴⁷ Wal-Mart was able to use its pre-existing transport model to send over one hundred truckloads of free merchandise, water and food to the hurricane victims.⁴⁸

Building on a similar notion around philanthropy filling “gaps,” economist Jeffrey Sachs adds the argument that the rich *should* provide the financial support necessary to combat development problems in the Global South. According to Sachs the time for corporations and social elites “to do their special part” is when the states do not have the financial capacity.⁴⁹ Sachs argues that market forces alone will not solve the problems of ending poverty, but rather there needs to be a focus on both public funding and transnational corporate philanthropy.⁵⁰

In response to the increased recognition of corporate philanthropic activity in the development sphere, founder and executive chairman of the World Economic Forum, Klaus Schwab outlines the importance of “global corporate citizenship.” He explains

⁴⁶ Robert Payton and Michael Moody, *Understanding Philanthropy: Its Meaning and Mission*. (Bloomington: Indiana University Press, 2008): 63.

⁴⁷ Bishop and Green. *Philanthrocapitalism*, 189.

⁴⁸ *Ibid.*, 187.

⁴⁹ Jeffrey Sachs, *The End of Poverty: Economic Possibilities of Our Time* (New York: The Penguin Press, 2005): 346.

⁵⁰ Sachs, *The End of Poverty*, 367.

that due to diminishing state funding in this regard, corporations play an essential role in engaging with societies through development projects.⁵¹ He argues that if a corporation becomes a global citizen, through participating in philanthropic projects or social investments, it will be in its best interest and it will see financial returns. Further, Schwab argues that since state power has started to decline, the ‘sphere of influence’ for corporations and business has grown.⁵² Simply put, corporations must support global development because they trade with developing countries, and as such, it is directly in their interest to ensure a stable and reliable trading partner.⁵³ Thus, Schwab asserts corporations have a “direct interest in helping to improve the state of the world.”⁵⁴

Agreeing, Peter Bernstein and Annalyn Swan suggest that although the work provided by governments is essential, philanthropy ensures that funds are flowing in directions that the state cannot provide due to their lack of networks and resources needed for certain development projects.⁵⁵ They further outline that in the United States, philanthropy is being used as a tactic to focus not on politics but on shaping policy “behind the scenes” by funding think tanks and projects which can generate new ideas around the world.⁵⁶

Adding to the authors above, in the book *Compassionate Capitalism*, Marc Benioff and Karen Southwick showcase the importance of philanthropy as it provides

⁵¹Klaus Schwab, “Global Corporate Citizenship: Working with Governments and Civil Society,” *Foreign Affairs World Economic Forum* (2008): 108.

⁵² Schwab, “Global Corporate Citizenship” 109.

⁵³ *Ibid.*, 115.

⁵⁴ *Ibid.*, 116.

⁵⁵ Peter Bernstein and Annalyn Swan, *All the Money in the World: How the Forbes 400 Makes and Spend their Fortunes* (New York: Random House, 2008):16.

⁵⁶ Bernstein and Swan, *All the Money in the World*, 16.

benefits to both a corporation and citizens.⁵⁷ In it, the Chairman of the Hasbro Toy Company, Alan Hassenfeld, explains that if stakeholders and customers can see a corporation doing ‘good business,’ then they are likely to be more drawn to it.⁵⁸ Bishop and Green reference this type of situation as a ‘win-win’ for both the corporation and funding and project recipients.⁵⁹ Conducive to capitalist economy, a selected few make large amounts of capital, which in turn gives them the ability to put some of it to ‘good use’ through philanthropic projects. Bishop and Green explain that these projects then cause the corporation or individual to promote the ‘positive development work’ they are funding, leading the consumer to further support them, creating a cyclical feedback system. Thus, philanthropy can be seen as a significant benefit for all of the parties involved.

Marc Benioff and Carlye Adler also provide an edited volume with twenty new perspectives on the importance of philanthropy for a company and local citizen. They outline how philanthropy makes ‘tremendous differences in the lives of others’ through its associated projects while providing positive branding for the company.⁶⁰ For example, Jeffrey Swartz, CEO of Timberland, in the chapter “How to Make Boots and Save the World” explains how central corporate social responsibility and philanthropy have been to their business model because it benefited the company and its customers.⁶¹ Swartz argues that when adding a focus on social justice to his company it not only heightened

⁵⁷ Marc Benioff and Karen Southwick, *Compassionate Capitalism: How Corporations Can Make Doing Good an Integral Part of Doing Well* (Franklin Lakes: Career Press, 2004), 33.

⁵⁸ Benioff and Southwick, *Compassionate Capitalism*, ix.

⁵⁹ Bishop and Green, *Philanthrocapitalism*, 276.

⁶⁰ Marc Benioff and Carlye Adler, *The Business of Changing the World: Twenty Great Leaders on Strategic Corporate Philanthropy* (McGraw-Hill Companies, 2007).

⁶¹ Jeffrey Swartz, “How to Make Boots and Save the World: Timberland,” In *The Business of Changing the World*, Eds. Marc Benioff and Carlye Adler (McGraw-Hill Companies, 2007).

morale among the staff but also fostered an innovative environment that ultimately lead to enormous benefits.

Indeed, it would be hard to find today a large-sized company that did not have a philanthropic or corporate social responsibility (CSR) project in its annual reports.⁶² Both philanthropy and CSR are becoming broadened, as they no longer only include corporate giving but can be seen in numerous forms. Clive Crook explains that CSR is now an industry itself, instead of consisting of simply corporate giving.⁶³ Corporations now ‘talk proudly’ and publically broadcast their social efforts, whether it is improving communities around the world, tackling environmental issues, building schools, or creating employment opportunities. Corporations are now using philanthropic projects to deem themselves ‘good corporate citizens.’ This contrasts with Milton Friedman who argued that ‘the proper business of business is business’, meaning that a company should put profit making above all else.⁶⁴ Any form of philanthropic initiative that is being funded by a corporation is above the natural operation of a company and it should be recognized for this action. A corporation has no limits when directing its philanthropic funds as it has the free choice to support whichever good-will project it deems relevant and which will further instill a positive reputation among its consumers.

Daniel Franklin adds to the above literature by explains that corporate giving has fostered ‘fertile ground for consultancies and think tanks.’⁶⁵ This is essential to the field of development because it allows corporations to supply grants to these institutions,

⁶² Clive Crook, “The Good Company,” *The Economist*, January 20, 2005
<http://www.economist.com/node/3555212> (accessed December, 2014).

⁶³ Clive Crook, “The Good Company.”

⁶⁴ Maris-Alejandra Gonzalez and Liam Leonard, *International Business Sustainability and Corporate Social Responsibility* (Howard House, Wagon Lane, Bingley: Emerald Group Publishing, 2013): 246.

⁶⁵ Daniel Franklin, “Just Good Business,” *The Economist*, Published 2008
<http://www.economist.com/node/10491077> (Accessed December 15, 2014).

which in turn support new initiatives and research. Franklin suggests that ‘doing well by doing good’ has become a fashionable mantra for corporations who are eager to become involved in philanthropy. He continues by noting that it is ‘just good business’ to participate in these projects as it provides the company with excellent marketing material that can be used and deployed to protect its reputation.⁶⁶

When reviewing the literature surrounding the importance of philanthropy, a reoccurring theme is the tactic of “strategic corporate philanthropy.” Peter Frumkin suggests that while there are serious complexities that must be overcome, corporations can maximize ‘both the public benefits of giving and the private fulfillment of donors’ through strategic philanthropic projects. He draws attention to three central problems with philanthropy: the question of effectiveness, as often the main goal of the projects is to meet the corporation’s philanthropic mission statement; the need for greater project accountability, and ensuring there be a transfer of power to the recipients; and, the concern that philanthropy is a ‘private mechanism’ being directed towards the public good, without the associative oversight of a state based institution.⁶⁷ His work is tailored to combat these three critiques and provide a path for corporations to take: “strategic giving.”⁶⁸ Frumkin offers five elements that need to be considered when implementing an effective strategic philanthropic project: deciding how the money will reach the targeted group; outlining what the money is specifically intended to do, which can be accomplished by clarifying its purpose; setting a manageable time frame; choosing the

⁶⁶ Franklin, “Just Good Business.”

⁶⁷ Peter Frumkin, *Strategic Giving: The Art and Science of Philanthropy*, (University of Chicago Press, 2006):x.

⁶⁸ Frumkin, *Strategic Giving*, x.

level of donor engagement; and, assessing the ‘impact’ the contributions and funds will have.⁶⁹

Frumkin claims that philanthropic projects will be more successful to a company and recipients if they follow the steps of “strategic giving.” Following a similar logic to Frumkin, Paul Brest and Hal Harvey outline ways for foundations and corporate philanthropic wings to use strategic philanthropy to make ‘the world a better place.’ They argue that donors must understand the importance of having a clear agenda and to think strategically when implementing philanthropic projects.⁷⁰ Michael Porter and Mark Kramer add to this by arguing that corporations should understand the link between donor and recipient in order to focus their giving.⁷¹ They propose that in order to get the greatest social and economic impact from projects, they should not just ‘give money’ but select an effective partner and build a ‘giving’ plan.⁷²

Adding to the conversation surrounding strategic giving, Davis Saiia et al. argue that as corporate philanthropy becomes increasingly practiced, companies are becoming more strategic to fit the evolving competitive marketplace.⁷³ They argue that by using strategic measures, corporations have the ability to reap benefits while still “injecting some humanity back into what is generally thought of as an impersonal market

⁶⁹ Pablo Eisenberg, “Review: Strategic Giving,” *The Art and Science of Philanthropy*, Published 2007, http://www.ssireview.org/book_reviews/entry/review_strategic_giving (Accessed December 15, 2014).

⁷⁰ Paul Brest and Hal Harvey, *Money Well Spent: A Strategic Plan for Smart Philanthropy* (New York: Bloomberg Press, 2008).

⁷¹ Michael Porter and Mark Kramer, “The Competitive Advantage of Corporate Philanthropy,” *Harvard Business Review*, Published 2002, <http://www.expert2business.com/itson/Porter%20HBR%20Corporate%20philantropy.pdf> (Accessed December 10, 2014).

⁷² Porter and Kramer, “The Competitive Advantage of Corporate Philanthropy,” 11.

⁷³ David Saiia et al., “Philanthropy as Strategy: When Corporate Charity ‘Begins at Home,’” *Business and Society*, 42.2 (2003): 169.

mechanism.”⁷⁴ They further articulate that NGOs should convince corporations to partner with them for strategic projects where they will be able to see a financial return while participating in philanthropic projects.⁷⁵ Further, Karen Maas and Kellie Liket articulate that it is also important to measure the impact of strategic philanthropy.⁷⁶ They outline that out of the 500 firms that are registered with the Dow Jones Sustainability Index (DJSI) between 62 and 76 percent measure the impact of strategic giving both on the firm and society.⁷⁷ Maas and Liket add to this by arguing that strategic philanthropy has led to more firms examining their philanthropic impacts, and this is important because it could lead to establishing a common measuring practice, as there is currently not one in place. In addition, Heile Bruch and Frank Walter add that there is no reason a company should not follow strategic measures and treat philanthropic endeavors as part of their core business practices. They explain that if a corporation can maintain a strategic ‘win-win’ approach it will guarantee the corporation keeps interest in the development projects.⁷⁸ Deddie McAlister and Linda Ferrell further this by articulating that when you align your core business practices with the philanthropic projects, and draw heavily from the company’s resources, staff, and information, a corporation can improve and monitor their overall performance.⁷⁹

Recently, there has been significant focus in the literature regarding philanthrocapitalism and using money to solve development issues. Michael Edwards

⁷⁴ David Saiia et al., “Philanthropy as Strategy,” 187.

⁷⁵ Ibid., 187.

⁷⁶ Karen Maas and Kellie Liket, “Talk the Walk: Measuring the Impact of Strategic Philanthropy,” *Journal of Business Ethics*, 100 (2011): 445.

⁷⁷ Maas and Liket, “Talk the Walk” 445.

⁷⁸ Heike Bruch and Frank Walters, “The Key to Rethinking Corporate Philanthropy,” *MIT Slogan Management Review*, 47.1 (2005): 49.

⁷⁹ Debbi McAlister and Linda Ferrell, “The Role of Strategic Philanthropic in Marketing Strategy,” *European Journal of Marketing*, 36 (2002) 702.

explains that this concept reflects the use of ‘business and markets’ to transform the realm of philanthropy and corporate aid.⁸⁰ Edwards argues for its relevance as a mechanism to ‘unlock new sources of money, energy and innovation,’ which will, in turn, help battle poverty, hunger, and disease.⁸¹ It is noteworthy that there is no single, comprehensive definition of philanthrocapitalism, however, the term often refers to philanthropic projects that utilize ‘creative capitalism’ to ‘solve the problem of development.’⁸² Creative capitalism can be defined as using capitalism to acquire wealth but then using this same system and tenets to ‘give’ or fund philanthropic projects.⁸³ As Bill Gates explains, “it is the ability to make self-interest serve the wider interest.”⁸⁴ Philanthrocapitalism is thus the applying of a business-like approach to traditional philanthropy, one that is strategic, market conscious, impact-oriented, knowledge-based, and intended on maximizing donors’ financial self interests.⁸⁵

Michael Moran adds to this conversation by outlining three core principles of philanthrocapitalism. First, he articulates that through this strategy, individuals and corporations are able to participate in development as ‘hyperagents’ to instill ‘good’ around the world, and, therefore, a single individual or corporation can make a difference.⁸⁶ Second, a corporation’s business model, involving the structures, employees, and profit seeking tactics, can be directly applied to the non-profit sector or development

⁸⁰ Michael Edwards, “Gates, Google, and the Ending of Global Poverty: Philanthrocapitalism and International Development,” *The Brown Journal of World Affairs*, XV, 2 (2009), 35.

⁸¹ Edwards, “Gates, Google, and the Ending of Global Poverty,” 35.

⁸² *Ibid.*, 36.

⁸³ Bishop and Green, *Philanthrocapitalism*, 276.

⁸⁴ *Ibid.*, 276.

⁸⁵ *Ibid.*, 7.

⁸⁶ Michael Moran, *Private Foundations and Development Partnerships: American Philanthropy and Global Development Agendas* (London and New York: Routledge): 28.

projects.⁸⁷ Third, philanthrocapitalism formulates a ‘social contract’ between capitalism and philanthropy, which in turn binds together business, the state, and society.⁸⁸ Moran emphasizes that this is positive because it forces business to be accountable and transparent when they implement philanthropic projects.

Further, the idea of “venture philanthropy” is also at the core of philanthrocapitalism. Carrie James and Paula Marshall focus their attention on venture philanthropy, which merges business practices with social change. Although controversial, venture philanthropy has become a common practice by philanthropists who want to ‘try a new approach’ in order to produce positive development project outcomes. They argue that it is a systematic framework ‘that mimics the vaunted for-profit venture capital model.’⁸⁹ Venture philanthropy is the act of investing in a project or individual that will lead the donor to see a return and arguably provide monetary benefits for the donor and the recipient.⁹⁰ It is a strategy used by philanthropists that are willing to take on capital risk and try new approaches within difficult conditions or environments that could produce measurable results.⁹¹ This model is fast becoming popular as it allows donors or ‘venture philanthropists’ to make a financial return on funding a development project.

Building on the previous literature, Lester Salamon introduces a new outlook on philanthropy, arguing that, although there have been great successes seen by philanthropic projects, it is clear that a ‘new frontier of philanthropy’ has emerged that incorporates more ‘yin-yang’ ideals. New philanthropy now brings together partners that

⁸⁷ Moran, *Private Foundations and Development Partnerships*, 29.

⁸⁸ *Ibid.*, 29.

⁸⁹ Carrie James and Paula Marshall, “Journeys in Venture Philanthropy and Institution Building,” in *Taking Philanthropy Seriously: Beyond Noble Intentions to Responsible Giving*, ed. by William Damon and Susan Verducci (Bloomington: Indian University Press, 2006):108.

⁹⁰ Bishop and Green, *Philanthrocapitalism*, 90.

⁹¹ *Ibid.*, 90.

historically would be opposed to working with each other, thus the title ‘yin-yang deals’.⁹² Salamon adds that it has now become common for foundations, investment firms, international institutions, and corporations to work together to ‘combat poverty’ instead of working against each other.⁹³ Further, Salamon provides a rounded summary of four ways philanthropy has been changing in the twenty-first century: ‘more diversity, more entrepreneurial, more global, and more collaboration’.⁹⁴ He argues that these four tenets are changing the way philanthropy will be approached when addressing poverty alleviation, environmental improvement, the strengthening of civil society and improvement of lives.⁹⁵ Adding to the above, Peter Frumkin argues that philanthropy can be used as a ‘vehicle’ for development and as an ‘instrument’ for corporations and private elite to become involved in projects they deem relevant.⁹⁶

Pamala Wiepking and Femida Handy further the discussion surrounding philanthropy and corporate giving through a comprehensive analysis of twenty-five countries and one region, examining their non-profit and philanthropic sectors. In analyzing these case studies, they argue that there are at least eight factors that facilitate corporate and private sector giving to development: a culture of philanthropy, public trust, regulatory and legislative frameworks, fiscal incentives, the state of the non-profit sector, political and economic stability or growth, population change, and international giving.⁹⁷

⁹² Lester Salmon, *Leverage for Good: An Introduction to the New Frontiers of Philanthropy and Social Investment* (New York: Oxford University Press, 2014): 1.

⁹³ Salmon, *Leverage for Good*, 1.

⁹⁴ *Ibid.*, 5.

⁹⁵ *Ibid.*, 7.

⁹⁶ Frumkin. *Strategic Giving*, x.

⁹⁷ Pamala Wiepking and Femida Handy, “The Practice of Philanthropy: The Facilitating Factors from a Cross-National Perspective,” in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiepking and Femida Handy (New York: Palgrave Macmillan): 618.

This section has shown that there are multiple arguments for the need of philanthropy in development, including: corporations have the ability to fund projects when a state cannot; companies can use strategic measures to gain a profit off philanthropy while simultaneously (and presumably) ‘helping the world’s poor’; and, philanthrocapitalism is conducive for corporations to direct a significant amount of funds that are a win-win for both the firm and recipients. It is this ideal that everyone gains from philanthropy that makes it attractive to corporations and other participant private sector actors.

2.2 Critical Perspectives of Corporate Philanthropy

“Corporate philanthropy allows corporations to engage in social devastation and pollution, while supporting good causes such as anti-poverty projects or reforestation, and solar energy initiatives.”⁹⁸

This section will showcase the arguments that draw attention to the above oversimplification of the complexities of philanthropy. Marc Benioff, for example, outlines a straightforward view that corporate philanthropic projects typically begin for one of two reasons: either, a CEO has become very passionate about a specific project and earmarks company funds towards that cause, or, a philanthropic strategy is used primarily as a public relations (PR) marketing tool to instill a positive reputation among the consumer base.⁹⁹

In his book, *Small Change: Why Business Won't Save the World*, Michael Edwards argues that in no way should social transformation, internationally or domestically, stem from market forces, corporations, or the ‘whims of billionaires’. Edwards provided extensive research to support his claim that it is more beneficial to

⁹⁸ Ilan Kapoor, *Celebrity Humanitarianism: The Ideology of Global Charity*, (New York: Routledge, 2013): 44.

⁹⁹ Benioff and Southwick, *Compassionate Capitalism*, 33.

support the ‘energy and creativity of millions of ordinary people,’ than to prescribe top-down ‘global planning.’¹⁰⁰ Edwards explains that although corporate philanthropy can provide needed drugs, fast loans, or supplies, it does not address the system that has led developing countries to ‘not develop’ in the first place.¹⁰¹ He explains that these projects do not change, or attempt to address the structures that could fundamentally alter the social and political tenets that stand in the way of real, sustainable development. Along similar lines, Gavin Fridell and Martiji Konings, Peter Dauvergne and Genevieve Lebaron, and Ilan Kapoor add to Edwards’s argument by proposing that philanthropy may tackle some of the direct negative symptoms of capitalism, but it does not focus on the root causes. Rather, philanthropy provides band-aid solutions, which often provide more benefits for corporations and social elites that fund and implement the projects rather than contribute to meaningful development.¹⁰²

Fridell and Konings situate corporate philanthropy within the context of the rise of neoliberal policies and growing inequality. They argue that investigating the coupling of global icons, such as celebrities or corporations, with “neoliberal optimism’s highly seductive appeal,” is crucial to understanding their actions.¹⁰³ The authors argue that the commodification of a celebrity serves to perpetuate their branding and consumption in response to global crisis, which can also be seen with corporate actions.¹⁰⁴ This will often benefit the corporation (or celebrity) because they will gain wealth and power from the positive branding that is obtained from their relief efforts. Fridell and Konings emphasize

¹⁰⁰ Michael Edwards, *Small Change: Why Business Won't Save the World* (San Francisco: Berrett-Koehler Publishing, 2008),

¹⁰¹ Edwards, *Small Change*, xi.

¹⁰² Fridell and Konings, *Age of Icons*; Ilan Kapoor, *Celebrity Humanitarianism*; Edwards, *Small Change*.

¹⁰³ Fridell and Konings, *Age of Icons*.

¹⁰⁴ *Ibid.*

that with celebrity and corporate philanthropy, “neoliberal capitalism becomes the solution to the problem of neoliberal capitalism.” Again, these authors show how philanthropy, whether celebrity or corporate, does not address the problems that are arising from the capitalist structure, such as inequality, but that these projects only reinforce the benefits of the current economic structure that keeps the wealthy population profiting from the ‘poor’. Years earlier, economist John Kenneth Galbraith argued that corporations should not focus their attention on what is good for society; rather the state should monitor the companies actions because often, as more recently argued by Fridell and Konings, corporations are profit driven and do not have the ability to separate those motivations from what is best for society.¹⁰⁵

For example, Jerome Himmelstein argues that in 1997, when philanthropy was becoming a ‘hot topic,’ academics and observers began to question whether corporations and celebrities were using philanthropy as a means of ‘looking good or doing good?’ Himmelstein argues that philanthropy must be recognized, at times, as a calculated tool, the terms for which are dictated by corporations as a means to further its own self-interest of ‘looking good’ that provides it with a profitable return.¹⁰⁶ Himmelstein’s question can not only be applied to philanthropy as a general concept, but equally to more specific cases, including the RED Campaign founded by Bono, which Lisa Richey and Stefano Ponte critique as supporting the notion of ‘compassionate consumption.’ The latter authors argue that organizations such as RED are a backbone of the concept of ‘brand

¹⁰⁵ Stephen Dunn, *John Kenneth Galbraith and the Theory of the Firm*, Ed. Michael Dietrich and Jackie Krafft, In *Handbook on the Economics and Theory of the Firm* (Massachusetts: Edward Elgar Publishing Limited, 2012):85.

¹⁰⁶ Jerome Himmeistein, *Looking Good and Doing Good: Corporate Philanthropy and Corporate Power*, (United States: Indian University Press, 1997).

aid', which helps the public 'feel good' by becoming consumers, spending money or buying products and goods to 'help the children in Africa'.¹⁰⁷

Rather, campaigns, such as RED are a fallacy. By being branded as supporting an end to global poverty, it is, in reality, perpetuating the capitalist system by inducing consumer consumption; it uses people's desires to help the poor to convince them to buy more iPads. RED is one of the largest cause-related marketing campaigns in the world, supported by over twenty corporations and numerous celebrities. However, Colleen O'Manique and Momin Rahman argue that it has done more harm than good. O'Manique and Rahman recognize that although this campaign is supported by many, it legitimizes the global financial centered capitalist system, thus rendering the need for a 'collective and democratic response' which is agreed upon in a democratic manner¹⁰⁸ In addition, they show how the consumption of RED products and the profits directed towards the campaign do not outweigh the negative externalities that arise from the current global capitalist system. The authors explain that when a consumer purchases a RED Apple iPod, US\$10 is directed towards its 'global fund.'¹⁰⁹ However, the significant human and environmental costs from the manufacturing of that one iPod, such as Colton mining and exploitation of low-wage labour, offset any benefit received from the programme's financial donation.¹¹⁰ This is another example of how a cause-related marketing campaign through the philanthropic actions of celebrities and corporations perpetuates exploitation. This debate surrounding cause-related marketing will be further investigated in Chapter 3.

¹⁰⁷ Payton and Moody, *Understanding Philanthropy: Its Meaning and Mission*.

¹⁰⁸ Colleen O'Manique and Momin Rahman, "(Product) RED: Glam Aid, Consumer Citizens, and the Colonization of Governance" in *Age of Icons: Exploring Philantrocipitalism in the Contemporary World* ed. Fridell, Gavin and Konings, Martijn (Toronto: University of Toronto Press, 2013), 115.

¹⁰⁹ O'Manique and Rahman, "(Product) RED," 127.

¹¹⁰ *Ibid.*, 127.

Adding, Peter Dauvergne and Genevieve Lebaron provide a rounded summary of how the involvement of corporations in development has changed the role of NGOs and activism. They argue that due to the power and influence of corporate donors, NGOs are being ‘pushed’ into the direction of becoming more like businesses by adapting an internal corporate model that is conducive and appealing to companies funding its projects.¹¹¹ Although philanthrocapitalists would argue for the importance of the adoption of a ‘business model,’ Dauvergne and Lebaron counter that there are significant associated dangers. Many grassroots activists are fighting against capitalism, yet they are employing similar strategies for its internal management and are increasingly turning towards corporate philanthropic wings for funding to secure its financial need to pay staff and implement projects.¹¹² For example, one of the world’s largest environmental organizations, the Sierra Club, accepted more than US\$25 million from the oil and gas industry between 2007 and 2010.¹¹³ A large portion of this money came from Chesapeake Energy, which is a leading promoter of fracking, a notoriously harmful extraction process for the environment.¹¹⁴ Fracking requires up to 600 chemicals be used in its associated fluid, which is subsequently pushed into the ground during the extraction process.¹¹⁵ Supporters of the Sierra Club questioned the ethics behind the organization when they released a statement taking a ‘pro-gas’ stance.¹¹⁶ In addition to Sierra Club, the World Wildlife Fund (WWF) has partnered with Shell and British Petroleum (BP), companies

¹¹¹ Peter Dauvergne and Genevieve Lebaron, *Protest Inc: The Corporatization of Activism* (Cambridge: Polity Press, 2014)

¹¹² Dauvergne and Lebaron, *Protest Inc.*

¹¹³ *Ibid.*, 31.

¹¹⁴ *Ibid.*, 32.

¹¹⁵ Dangers of Fracking, “Fracturing Site,” <http://www.dangersoffracking.com/> (Accessed July 1, 2015).

¹¹⁶ Dauvergne and Lebaron, *Protest Inc*, 32.

that are notorious for harmful impacts on the environment as a result of their extraction processes.¹¹⁷

Adding to the arguments presented by Richey and Point, Dauvergne and Lebaron outline that NGOs are partnering with corporations or celebrities to market the ‘saving of the world’ and projects that conform to this fantasy instead of fighting core issues. In this regard, the consumer simply has little choice but to buy into the capitalist philanthropic model instead of understanding the root causes. For example, the Coca Cola Company and WWF have marketed for years that if you ‘buy a coke you save a polar bear’, or if you purchase a bottle of Ethos water from Starbucks you will supply clean drinking water to children.¹¹⁸ According to Dauvergne and Lebaron, these are only examples of consumption capitalism, as the consumer is buying a product in order to fund a development project, however they are only perpetuating the very cycle that produced the inequalities.

Building on this burgeoning library of philanthropy literature is Ilan Kapoor’s *Celebrity Humanitarianism*, which adds an in-depth critique of three major actors seen in international development today: celebrities; billionaires and corporations; and non-governmental organizations (NGO). Kapoor posits that philanthropy is the, “ideological phenomenon of the times,” responsible for promoting a star-power dominance in the development field, as chosen projects often become individualized and isolated from prevailing national and international strategies, resulting in a general depoliticization.¹¹⁹ Kapoor uses the Žižekian notion of ideology to critique philanthropy as fantasy rather than a suitable method of development. On the subject of transnational corporate

¹¹⁷ Dauvergne and Lebaron, *Protest Inc*, 32.

¹¹⁸ *Ibid.*, 51.

¹¹⁹ Kapoor, *Celebrity Humanitarianism*.

philanthropy, Kapoor introduces the concept of ‘decaf capitalism,’ referring to the idea of giving with one hand and taking with the other.¹²⁰ He explains that Bill Gates earned his wealth by privatizing knowledge and information through Microsoft, which has formed a monopoly over the computer software market, “as a result of its copyright and licensing arrangements.”¹²¹ For him, the Bill and Melinda Gates Foundation operates according to decaf capitalism, as it “balances out their ruthless profitmaking with charity work.”¹²² Kapoor questions how their money is obtained, which is then used for philanthropy projects. Žižek adds to this by outlining the ‘two faces philanthropy’. The author draws on the complexity of George Soros as he is a ‘ruthless financial exploiter,’ famous for having sunk national currencies causing major social crises, but then is also a humanitarian.¹²³ Žižek draws attention to Soros’ focus on financial gains and using the capitalist system to maximize profits, while then providing philanthropic projects to those who are being oppressed by the system that ‘creates his wealth.’¹²⁴ Thus, Žižek argues that Soros’ actions could be labeled as purchasing redemption for the negative aspects of consumption from the very product itself. This leads to the question: does his ‘doing good’ and ‘looking good’ mask the unspoken, generally accepted actions that make Soros rich in the first place?

In addition, Devon Curtis, Joanna Macrae and Mark Duffield draw attention to the importance of humanitarian actors, corporate or celebrity, and the need to understand their role because the system of aid is complex and there are now several components.

¹²⁰ Kapoor, *Celebrity Humanitarianism*, 61.

¹²¹ Ibid.

¹²² Ibid.

¹²³ Slavoj Žižek, “Nobody has to be Vile,” *London Review of Books* 28.7, Published 2006.

<http://www.lrb.co.uk/v28/n07/slavoj-zizek/nobody-has-to-be-vile> (Accessed December 15, 2015).

¹²⁴ Žižek, “Nobody has to be Vile.”

They articulate that philanthropists must not be driven by the need to ‘solve the world’s problems’ or brand a person or corporation.¹²⁵ They explain that a central challenge to humanitarianism is the politics behind aid; in order for there to be successful philanthropic projects there needs to be a stark division between these two features.¹²⁶ Fiona Fox adds to this by arguing that politics cannot be separated from international aid or involvement nor can it be divorced from governments, international institutions, or large-scale aid organizations. However, she argues that it is critical to ensure that humanitarianism is not being manipulated by politics.¹²⁷

When examining the ramifications of the current global capitalist system on philanthropy, philanthrocapitalism itself must be further addressed. Edwards explains that philanthrocapitalism has not proven to be more beneficial than the state centric development funding systems already in place nor is the power, held by these corporations and individuals, healthy for democracy.¹²⁸ Thus, corporations and billionaires are using philanthropy to become involved in public services such as health or education for the reasons outlined above, including questions of accountability and neutrality. For example in 2008, Dalhousie University was gifted CDN\$2 million from defence contractor Lockheed Martin, however was met with significant protests from the students. They argued that defence contractors who provide arms to global conflicts should not have any ‘say’ or influence in a University setting.¹²⁹

¹²⁵ Devon Curtis, Joanna Macrae and Mark Duffield, “Politics and Humanitarian Aid: Debates, Dilemmas and Dissensions,” *The Journal of Disaster Studies, Policy and Management* 25.4 (2001).

¹²⁶ Curtis, Macrae and Duffield, “Politics and Humanitarian Aid.”

¹²⁷ Fiona Fox, “New Humanitarianism: Does it Provide a Moral Banner for the 21st Century,” In *Politics and Humanitarian Aid: Debates, Dilemmas and Dissensions* Ed. Devon Curtis, Joanna Macrae and Mark Duffield (2001).

¹²⁸ Edwards, *Small Change: Why Business Won’t Save the World*, xi.

¹²⁹ The Charlatan, “Dal Students Protest Lockheed Martin,” Published on March 6 2009, <http://www.charlatan.ca/2009/03/dal-students-protest-lockheed-martin/>

Further, Andrew Benett, Cavas Gobhai, Ann O'Reilly and Greg Welsh add to the discussion by outlining how important branding has become to a company's reputation, which heavily influences its profits. They provide a guidebook for corporations that includes several studies which show how a more "ethical approach to business reaps riches."¹³⁰ It is no secret amongst corporations that participating in philanthropic projects and marketing its so-called 'ethical approach' will have a positive effect on consumers.

Fridell and Konings argue that philanthropy has allowed celebrities and corporations to brand themselves to a particular cause or development issue. Michael Barnett and Thomas Weiss further this by discussing the implications of branding and how large sums of money provided by corporations regularly come with 'heavy burdens.' Barnett and Weiss explain that corporations will not simply 'hand over money' for development projects, but rather they will demand oversight and quantitative data on relevant outcomes and efficiency in order to market consequential 'positive results'.¹³¹ Stephen Hopgood provides the example of Wal-Mart, explaining that it is no secret the private sector has infiltrated international development, as evidenced by this company's slogan: 'In everything we do, we're driven by a common mission: To improve the quality of life for everyday people around the world.'¹³² He outlines a selection of several allegations made against the corporation, including discrimination, union busting, crushingly low pay, unpaid overtime, and demolishing local competition.¹³³ However, this has not stopped companies from branding a positive image through development

(Accessed September 20, 2015).

¹³⁰ Andrew Benett, Cavas Gobhai, Ann O'Reilly and Greg Welsh, *Good for Business: The Rise of the Conscious Corporation* (New York: Palgrave Macmillan, 2009).

¹³¹ Michael Barnett, and Thomas Weiss, *The Humanitarianism in Question: Kingship, Sanctity, and Crusade in the Later Middle Ages* (Cornell University Press, 2008).

¹³² Stephan Hopgood, "Saying 'No' to Wal-Mart?: Money and Morality in Professional Humanitarianism," *Cornell University Press* (2008) 116.

¹³³ Hopgood, "Saying 'No' to Wal-Mart?", 116.

work as they have the ability to grant US\$ 200 million to CARE's emergency fund, in return for publicizing its involvement.¹³⁴ Corporations have the ability and financial means to brand themselves towards a particular cause, fund it, and publicize the results.

Andrew Cooper breaks down the complexities of celebrities becoming involved in development work, for they are often brought in as the face for corporate philanthropic projects. He argues that often they are caught in a 'simplicity trap,' meaning, their involvement becomes trivialized as 'stars' are not differentiated.¹³⁵ Cooper argues that there should not be a 'one-image-fits-all' perspective when analyzing the role of celebrities or even corporations working in the field of development. Further, Cooper provides a snapshot of how philanthropy has become a significant tool in the realm of international development, as through it they have gained the capabilities to reach out to members of the Group of Eight (G8) or high-level politicians.¹³⁶

Jo Littler adds to this by examining the problems that can arise with cause-related marketing that is often used to brand corporations or celebrities. She explains that corporations regularly link themselves to a certain NGO or cause that it believes will be most marketable.¹³⁷ For example, Sony is linked to Breast Cancer research, TESCO is focused on 'books for school' and companies such as Armani, Apple, Gap and American Express all market their support for *Product RED*.¹³⁸ The central problem apparent with this particular strategy is that they are often linked to 'safe-topics' that do not represent the development areas in most need, for the latter are not marketable as 'sexy.' John

¹³⁴ Hopgood, "Saying 'No' to Wal-Mart?", 118.

¹³⁵ Andrew Cooper, "Beyond One Image Fits All: Bone and the Complexity of Celebrity Diplomacy," *Global Governance* 14 (2008): 265- 272.

¹³⁶ Andrew Cooper, "Celebrity Diplomacy and the G8: Bono and Bob as Legitimate International Actors," *The Centre for International Governance Innovation* (2007).

¹³⁷ Jo Littler, "I Feel your Pain: Cosmopolitan Charity and the Public Fashioning of Celebrity Soul," *Social Semiotics* 18.2 (2008): 242.

¹³⁸ Littler, "I Feel your Pain," 242.

Cameron and Anna Haanstra observe the implications of corporate branding development and its switch from the ‘pornography of poverty’ to making ‘development sexy.’¹³⁹ They explain that, in 2007, Motorola released an advertisement for its new RED line of cellphones. This advertisement consisted of models, in red bikinis dancing with the slogan ‘development is sexy.’¹⁴⁰ Cameron and Hannstra argue that not only does this provide a sexy image for the corporation, but the representation of development is significantly problematic because it is being simplified. Therefore when a consumer buys a Motorola, they feel like they are contributing to a worthy cause and they are making a difference; however development is significantly more complicated and cannot be boiled down to the purchase of a product.

Rebecca DeWinter specifically examines corporations and their ‘need’ to be seen as acting responsibly and to brand this image. She begins by stating that corporations, such as Nike, Wal-Mart and GAP, have a primary interest of maximizing profits and satisfying their shareholders before acting ethically.¹⁴¹ Using the example of the anti-sweatshop movement in the apparel industries, DeWinter argues that corporations identifying themselves as ‘moral agents’ is a concept that has been socially constructed.¹⁴² DeWinter explains that in the mid 1990s, several corporations were publically exposed for having poor working conditions in international sweatshops regarding: long workdays, low wages, unsafe working conditions, and physical and psychological harassment.¹⁴³ For example, the workers in a GAP factory in El Salvador

¹³⁹ John Cameron and Anna Haanstra, “Development Made Sexy: How it Happened and What it Means,” *Third World Quarterly* 29.8 (2008).

¹⁴⁰ Cameron and Haanstra, “Development Made Sexy,” 1475.

¹⁴¹ Rebecca DeWinter, “The Anti-Sweatshop Movement: Constructing Corporate Moral Agency in the Global Apparel Industry,” *Ethics and International Affairs* 15.2 (2001): 99.

¹⁴² DeWinter, “The Anti-Sweatshop Movement,” 100.

¹⁴³ DeWinter, “The Anti-Sweatshop Movement,” 106.

were under these strenuous working conditions and were continually threatened if they tried to participate in any social movement.¹⁴⁴ Once several corporations were ‘outed’ for these inhumane conditions, they tried to save their ‘image’ by employing ‘codes of conducts’ and regulations to ensure they act responsibly. Shortly after, GAP stores changed their window displays to represent this idea by hanging jeans beside a banner that read, ‘freedom,’ ‘independence,’ and ‘we the people.’¹⁴⁵ This philanthropy awareness-raising campaign was used as a tactic to instill the faith back into the consumer that GAP is an ethical company and to protect it from negative publicity.

In addition to philanthropy being a method of branding, it can also provide tax benefits. Bishop and Green question the source of funding used in celebrity and philanthropic projects, with celebrities often participating in tax evasion or other illicit actions that they deem should be disregarded because they are ‘saving Africa.’¹⁴⁶ For example, in 2006 Bono moved his band U2’s corporate base away from Ireland to the Netherlands because the Irish government ended the tax exemptions that “‘allowed the band to collect royalties tax-free.” This is problematic because Bono is calling for every citizen to donate to ‘saving Africa’ yet he is avoiding his responsibility to pay taxes that would support Ireland’s social programs, aid programs, education, and health infrastructure.

Historically, while philanthropy was simply the ‘rich elites’ giving money or running foundations, today, however, it has developed into a business run by philanthrocapitalists, connecting philanthropy to a company’s image and thus boosting its profitability. Philanthropy is a complex issue and should not be over-simplified so as to

¹⁴⁴ Ibid., 106.

¹⁴⁵ Ibid., 109.

¹⁴⁶ Bishop and Green, *Philanthrocapitalism*.

disregard its dependent linkages to global, financial centered capitalism. This section has sought to draw out the main arguments against corporate philanthropy, including: corporations using it as a tool for increasing their public image as a ‘globally responsible actor’; corporations persuading consumers to buy into their business in order to raise funds for the development projects, whilst only contributing instead to consumption capitalism; and, corporate philanthropy addressing the symptoms rather than the root cause of underdevelopment.

2.3 Conclusion

This literature review has summarized the main divides and arguments surrounding corporate and private sector driven-philanthropy as a new actor and contributor manifestation in international development. Bishop and Green, coupled with several other authors, present arguments that are seductive and appealing, as these new players are seen as providing actionable, practical solutions to ‘saving the world’. Indeed, their book begins with a persuasive look at the financial contributions to international development for 2009 from the top nine American individuals and the totality of American corporations: \$70 billion and \$12 billion, respectively.¹⁴⁷ These statistics, on the surface, make it difficult to outright ignore the potential of possible positive externalities that might coincide with this brand of philanthropy. Defenders argue that philanthropy can lead to greater creativity and partnership between donors, efficiency and enhanced funding mechanisms; critics, in contrast, argue that it draws attention away from the most pressing issues by simplifying complex development problems. As such, the latter half of the above review breaks down the simplistic view that corporate philanthropy is key to ‘pulling people out of poverty’ and demonstrates that ulterior

¹⁴⁷ Bishop and Green, *Philanthrocapitalism*, Preface/185.

motives and reasons for why corporations choosing to participate in this area do exist, including as a mask for poor and harmful corporate behavior regarding labour conditions, human rights, and environmental records.

In the corporate world, there is now an implicit expectation that businesses practice and contribute to philanthropy, as the latter is now publically and internally framed as beyond motivations of ethics or morality, and instead as an essential corporate obligation.¹⁴⁸ Corporate philanthropy is generally understood by academics, policymakers, and the public as encompassing all charitable actions taken by corporations, examples of which could include providing a scholarship to a student, raising money for a cause, or using staff to engage in developing country projects. While at face value, this could be seen as a positive action, for a corporation is presumably drawing public attention to and providing funding for a development cause, these actions, however, require further investigation. One such method to do so is dividing and defining corporations' philanthropic actions as within three different funding strategies, thereby simultaneously filling an endemic knowledge gap in current literature. Corporations that direct significant capital to philanthropic development projects have the ability, the mandate, and the self-interest to choose a funding strategy that best suits their company's needs whilst giving them tangible and intangible benefits.

As shown in the above literature review, there exists a prominent debate in research on whether corporate philanthropy holds a positive or negative impact for international development, but which neglects to address how specifically corporate actors fund and govern initiatives and projects. The main gap in literature, as identified

¹⁴⁸ Arthur Gautier and Anne-Claire Pache, "Research on Corporate Philanthropy: A Review and Assessment," *J Bus Ethics* 343 (2015): 347.

above, is in regards to the financial and governance structure that corporations use to fund development projects. Therefore this thesis will work to fill in the gaps presented in this literature review by outlining three possible funding strategies used by corporate actors in development work. Additionally, when analysing each funding strategy there will be an investigation into the role of the consumers, the flexibility of each strategy, whether it addresses root causes or symptoms of development issues, and, the strategy's brand or market development.

As outlined above, in 2006, Peter Frumkin's work on the 'strategic giving' of corporations, in which he highlights both the flaws that arise from philanthropy, and its possible support for development, presented to the reader a possible balanced or 'strategic alignment' that should be met in order to negate the negative elements of philanthropy with the positive. In this light, the following thesis will employ a similar approach, drawing attention to the gaps in literature from both sides of this on-going debate, and using this space to assess three corporate funding methods in development. By using this approach, this thesis will not pervasively argue that one side of the debate has more merit over the other, but rather it will draw tenets from both sides in order to argue for the critical and immediate importance of examining those corporate funding strategies themselves. The lens of balance through which this thesis regards the topic of corporate driven international development will allow for a more nuanced analysis, ultimately arguing that its third proposed funding strategy is the most appropriate strategy for corporations to follow when involving themselves in development projects.

Chapter Three: Funding Strategy One

As noted in the previous chapter, this thesis will break down corporate philanthropic funding strategies into three distinct streams. This chapter will focus on The Fully Dependent and Controlled Strategy, which is followed when a corporation markets a philanthropic project that is directly related to consumer consumption, meaning that the firm is directly linking a development project to the sale of a product. Under the umbrella of this strategy there are two primary approaches, which can be differentiated. First, is a corporation that at its most basic level is unable to divorce itself from development branded marketing. The corporation and the marketing strategy are organizationally one and the same. Second, for companies that are not built from this marriage of cause-related marketing and organizational structure there are independent, external tools that they can employ to achieve the same development orientated marketable results.

This strategy, and its two constituents approaches, draws aspects from *cause-related marketing*, *venture philanthropy* and *strategic philanthropy*, thus allowing the corporation to use its resources not only to gain a financial return but also to fund philanthropic projects by trying new profit seeking strategies that are relatable to development projects. This chapter will begin by further outlining the two approaches of this funding strategy, drawing on the examples of TOMS shoes for the former and Project RED for the latter to demonstrate and provide evidence that this particular stream is focused on marketing a product to consumers that is being sold as a ‘solution to poverty’.

3.1 The Funding Strategy

Fully Dependent and Controlled Strategy

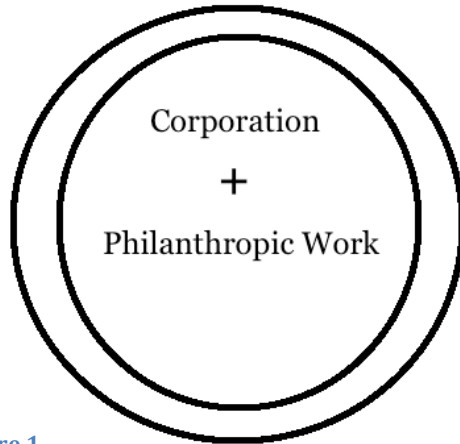


Figure 1

As noted in the literature review there has been recent attention towards venture and strategic philanthropy, which consist of merging for-profit capitalist goals with funding of development projects.¹⁴⁹ This strategy gives companies the ability to use ‘philanthropy’ as a tool to maximize financial benefits for themselves while raising funds for development projects. A fundamental argument of venture and strategic philanthropy is that the projects employ a ‘win-win’ for both parties because both sides, the company and the project recipients, see direct benefits. However, authors, such as Frumkin, Žižek, and Kapoor, argued that this ‘win-win’ does not benefit the recipients of corporate development projects and often can be responsible for more harm than good. The first stream is fundamentally defined by a corporation’s participation in what is termed *cause-related marketing*, which entails the attachment of the sale of physical products or services to consumers which are marketed as ‘socially good,’ thereby providing for those consumers a sense of wellbeing or positive contribution to development cause, whether warranted or not. The difference between this stream’s two approaches comes from development branded marketing being either the principal objective defining organ of a company, or an external tool, which a firm can utilize and employ to achieve the same result.

¹⁴⁹ Bishop and Green, *Philanthrocapitalism*, 90.

In the early 1970s cause-related marketing emerged in the West as a tool that allowed a corporation to not only attract the customer but also the well-being and social health of domestic and international society.¹⁵⁰ Developed into a strategic communications and public relations plan used by a range of corporations, the main goal of this strategy is to have the public become a consumer partner in development, and target to a corporation's philanthropic marketing contributions. Using philanthropy as a marketing tool has allowed corporations to not only gain the good will of consumers but also fund projects that are based on consumers' purchases, which provides the former a profitable return.¹⁵¹ For example, through a cause-related marketing campaign, a corporation may promote 'giving one dollar for every product purchased,' while still making significant profits off large margins. O'Manique and Rahman argue that this action legitimizes the current financial centered capitalist system which creates and renders high levels of inequality around the world.¹⁵² This type of approach puts the corporation's profit seeking agenda above that of development.

The consumer, as a primary financial driver of this particular stream as a whole, 'buys into development' while simultaneously providing profits to a corporation through the purchase of their products. Richey and Ponte have coined this type of actor relationship as 'compassionate consumption,' as it involves persuading consumers to buy into development through the purchase of a product.¹⁵³ They further argue that this model has "shifted conscious consumption to compassionate consumption" which markets to the consumer that there is a quick, convenient, and relatively inexpensive fix

¹⁵⁰ Gautier and Pache, "Research on Corporate Philanthropy," 348.

¹⁵¹ Gautier and Pache, "Research on Corporate Philanthropy," 348.

¹⁵² O'Manique and Rahman, "(Product) RED."

¹⁵³ Richey and Ponte, *Brand Aid*.

for the issues they are marketing as solving; thus, this instills tenets of deception and false advertising when the consumer buys a product with expectations of a particular social impact.¹⁵⁴ This social impact is often romanticized or exaggerated by the company¹⁵⁵.

Cause-related marketing has allowed corporations to become directly linked to development issues they deem relevant, albeit through different methodologies such as the two outlined here, playing into the power dynamic between corporations and those most directly impacted, as the company will inevitably choose development projects that are most marketable. This strategic action gives a corporation the means to ensure Western customer loyalty whilst normatively framing themselves as ‘philanthropic’ or ‘socially good.’¹⁵⁶ Further, Strhilevitz and Myers argue that consumers are often drawn to cause-related marketing because it takes away the guilt they develop from buying ‘non-essential, expensive products’.¹⁵⁷ It is for this particular reason that this strategy is increasingly popular among corporations, as part of their origin story and subsequent core organizational definition.

In addition, Matthew Berglind and Cherly Nakata argue that in 1983, as an example of this approach, American Express was one of the first corporations to put significant resources into a cause-related campaign and the returns and dividends were considerable. American Express proposed to consumers that they would donate one cent for every purchase with their cards, and one dollar for every new card activated, towards the reconstruction of New York City’s Statue of Liberty.¹⁵⁸ The campaign not only raised

¹⁵⁴ Richey and Ponte, *Brand Aid*, 182.

¹⁵⁵ Fridell and Konings, *Age of Icons*.

¹⁵⁶ Gautier and Pache, “Research on Corporate Philanthropy,” 354.

¹⁵⁷ Michal Strhilevitz and John Myers, “Donations to Charity as Purchases Incentives: How Well they Work may Depend on What you are Trying to Sell,” *Journal of Consumer Research* 24.4 (1998).

¹⁵⁸ Matthew Berglind and Cherly Nakata, “Cause-Related Marketing: More Buck than Bang?” *Business Horizon*, 48 (2005): 445.

US\$1 million for the cause but American Express card usage grew by 28% and new applications increased by 17%.¹⁵⁹ Although not an example of ‘development,’ it does exemplify the ability of these types of campaigns to improve capital inflow to a sponsoring firm. The case equally demonstrates a quintessential example of a ‘win-win’ scenario, as both the firm itself and its targeted cause were the beneficiaries of substantial financial influx, after a philanthropic project was utilized as a marketing tool to improve consumption of a particular product. The implications for international development of using The Fully Dependent and Controlled Strategy, and its two approaches, will be further investigated below through the case examination of TOMS shoes and Project RED.

3.2 TOMS Shoes

The case of TOMS shoes, demonstrates how a corporation can be founded based on a cause-related marketing strategy. TOMS, for its purposes, markets a solution to poverty through the sale of their products; donating shoes to developing countries, whilst simultaneously growing the wealth of their shareholders, and becoming a globally recognizable brand. TOMS’ entire organizational premise is derived from the concept of ‘buy one, give one,’ meaning that for every pair of shoes bought, they will also provide a pair of shoes to an impoverished child in a developing country.¹⁶⁰ In short, TOMS cannot divorce itself from the cause-related marketing that defines its internal structure and external objectives, thus giving it minimal flexibility. TOMS notes that it has provided over thirty-five million pairs of shoes through this philanthropic strategy.¹⁶¹ This business practice has developed into a lucrative corporate strategy; not only are they making the

¹⁵⁹ Berglind and Nakata, “Cause-Related Marketing,” 445.

¹⁶⁰ Thiat Makinwa, “The Trouble with TOMS,” *Okay Africa*, Published April 2012, <http://www.okayafrica.com/stories/the-trouble-with-toms/>. (Accessed February 12, 2015).

¹⁶¹ TOMS, “One-For-One,” <http://www.toms.ca/one-for-one>. (Accessed February 2015).

consumer ‘feel good’ about providing shoes for a child, but the corporation is also making a significant financial return by inducing consumption. Blake Mycoskie, Chief Executive Office and Founder of TOMS, explains that this business model has been successful in helping “the impoverished” around the world by joining business and philanthropy to be one strategic model.¹⁶² Mycoskie argues that through their purchasing power, the consumer has the ability to change lives in a developing country. For him, this is why his business has been so successful: a simple idea creates a company to provide a ‘simple solution’.¹⁶³

Beginning in 2006, TOMS exploded as a business model with over two million pairs of shoes sold in developed countries in its first year.¹⁶⁴ The company proposes that this model will help the poor to avoid health risks arising from lacking proper footwear and thus having to walk barefoot, the latter of which can expose them to hookworms or viruses.¹⁶⁵ The perspective has received criticism, including from the online development organization, WhyDev, which argues that if there was a village that is commonly affected by hookworm or other viruses, due primarily to the prevalence of untreated wastewater, TOMS’ solution would simply be a temporary, superficial remedy. WhyDev argues that if TOMS provides one thousand pairs of shoes to a developing community, it would cost Western consumers approximately a selling price of US \$27.00 per pair, or \$27,000.00 total, roughly half the cost of the product’s in-store price for the same volume.¹⁶⁶ It is at this point WhyDev argues that TOMS’ business model falls apart. They articulate that

¹⁶² Blake Mycoskie, “A New Model for Philanthropy,” *McKinsey&Company*, <http://voices.mckinseysociety.com/a-new-model-for-philanthropy/>. (Accessed February 2015).

¹⁶³ Mycoskie, “A New Model for Philanthropy.”

¹⁶⁴ Jonathan Favini, “Some Bad News About TOMS Shoes,” *Why Development*, Published April 2013, <http://www.whydev.org/some-bad-news-about-toms-shoes/>. (Accessed February 2015).

¹⁶⁵ Favini, “Some Bad News About TOMS Shoes.”

¹⁶⁶ *Ibid.*

while the corporation will spend roughly US\$27,000.00 to provide shoes for 1000 people in the community, a similar financial donation could be spent in more practical and effective ways than a topical solution to an on-going issue. The equivalent of US\$27,000 could go towards more meaningful preventions, such as latrine facilities, medication, or infrastructure, which, could provide benefits for the whole community rather than only to those receiving a pair of TOMS. For example, if the capital was directed towards a local public health organization, they could build cement latrine facilities for approximately US\$2,000.¹⁶⁷ Thus, US\$27,000 could be spent in a manner that would remedy the problem of untreated waste rather than providing a ‘simple band-aid solution’ to a very complex problem. However, it cannot be disregarded that although TOMS may not be the most practical development model it is still a partial solution, as children in developing countries that need shoes are receiving them. WhyDev has provided an extremely critical argument against TOMS, although when applying this lens it can lead to oversimplifications because applying a band-aid solution is not a long term sustainable development approach; however it is at least giving shoes to those in need.

The reason TOMS is not an adequate solution is that it does not deal with the problems that are facing these communities, but rather oversimplifies the solution in order to stimulate consumption. Kapoor’s argument can be applied to this case study because he emphasizes that the root causes of underdevelopment are not being addressed, rather only a band-aid solution to a much greater problem is being applied. Drawing from Žižek, he articulates that philanthropy, and humanitarianism more generally, remains self-serving and it is used to rationalize any inequalities that a corporation creates. Buying into TOMS is an attractive purchase to Western consumers. TOMS is not in a position to employ

¹⁶⁷ Favini, “Some Bad News About TOMS Shoes.”

projects that focus on the root causes of the critical issues facing many development communities, nor can it adjust itself to move beyond its core mission objective without fundamentally restructuring the company as a whole. It has, however, the financial means to work with partner organizations that do have this ability; a similar approach that others have taken when using tools such as RED, which is explored below. The money that TOMS raises through their ‘buy one, give one’ mandate is significant; however, their entire business model is based on selling a solution focused on making profits. Thus, the ‘simple solution’ that Mycoskie argues for should not be the only remedy applied to complex, multi-dimensional, and deep-seated development problems.

TOMS is an example of a corporation following a funding strategy that is not the most practical or long-term solution. TOMS began in The Fully Dependent and Controlled Strategy primarily due to it being a successful business ideal, premising that entire model on attractive cause-related marketing campaign to consumers, whilst only offering a solution to superficial consequences of a root development problem.¹⁶⁸ In short, TOMS uses its brand to argue that giving shoes is a successful and necessary step towards sustainable development. However, the central problem is not that people in developing countries do not have shoes, but it goes much deeper to the root causes of why they do not have the means to buy shoes. The problem, in reality, stems from citizens being marginalized or suffering historical legacies which have led them into poverty and does not foster an environment for them to buy proper footwear. Žižek articulates that TOMS has built their corporate model within the ‘exploitative global structure that produces

¹⁶⁸ Values and Capitalism, “The TOMS Development Model,” Published 2011, <http://valuesandcapitalism.com/the-toms-development-model/> (Accessed March, 2015).

inequality' while they 'pretend' to offer a solution.¹⁶⁹ Žižek argues that it does not provide a sustainable development solution, instead, "it just gives people shoes."¹⁷⁰

Since the birth of the company, TOMS has come under much criticism from NGOs, development professionals, and academics for only addressing the symptoms of development issues. This criticism includes undercutting local shoe markets (e.g., when TOMS are given to a community the local shoe maker loses business) and labour issues related to where TOMS' shoes are being made.¹⁷¹ In 2010, TOMS addressed the criticisms surrounding the production of shoes they are selling. TOMS released a statement that in January 2014 it would open a shoe manufacturing facility in Haiti and, by the end of 2015, they would be producing at least one-third of their shoes in countries where they are being donated.¹⁷² During an interview with Huffington Post, Mycoskie articulated that opening a factory in Haiti is the first step towards creating more jobs, for which TOMS would pay fair wages.¹⁷³ However, this needs further analysis because the factory in Haiti only created one hundred new jobs, a small number relative to both the number of international garment workers and the total unemployment rate in Haiti, which sits at 40.6 percent of total population after 2010.¹⁷⁴

¹⁶⁹ Slavoj Žižek, "RSA Animate- First as Tragedy, Then as Farce," *YouTube*, Published July 2010, <https://www.youtube.com/watch?v=hpAMbpQ8J7gv> (Accessed April 2015).

¹⁷⁰ Slavoj Žižek, "RSA Animate- First as Tragedy, Then as Farce."

¹⁷¹ Isaac Otto, "TOMS Shoes Responds to Critics, But it May Not Be Enough," *Global Envision*, Published July 2013, <http://www.globalenvision.org/2013/07/23/toms-shoes-responds-critics-it-may-not-be-enough>, (Accessed March 2015).

¹⁷² PRI, "TOMS Shoes Rethink its 'buy one, give one' Model of Helping the Needy," Published October 2013, <http://www.pri.org/stories/2013-10-08/toms-shoes-rethinks-its-buy-one-give-one-model-helping-needy>, (Accessed April 2015).

¹⁷³ Natalie Pace, "TOMS Gives Haiti a Leg (and a Shoe) Up," *Huffington Post*, Published July 2014, http://www.huffingtonpost.com/natalie-pace/toms-gives-haiti-a-leg-an_b_4556909.html (Accessed April, 2015).

¹⁷⁴ Caribbean Journal, "Haiti: US Shoe Company TOMS to Open New Factory in 2014," Published September 2013, <http://www.caribjournal.com/2013/09/26/haiti-us-shoe-company-toms-to-open-new-factory-in-2014/>, (Accessed April 2015); Trading Economics, "Haiti Unemployment Rate," <http://www.tradingeconomics.com/haiti/unemployment-rate>, (Accessed August 14, 2015).

Beyond the failure to improve working prospects, those with jobs must then face poor working conditions. The major factories that produce TOMS products are in China; the President of TOMS, Laurent Potdevin articulates that the company, “would not be what it is today without (the low production costs) in China.”¹⁷⁵ However the corporation is not particularly transparent with information regarding the working conditions of these factories. TOMS argues that they send staff to monitor the factories on a regular basis.¹⁷⁶ Although these are the words of the company, it is hard to find independent research confirming their assurances that these products are produced in ‘regulated’ factories. Kelsey Timmerman writes on the transparency of the supply chain followed by TOMS, outlining that TOMS is notoriously vague about the production of their shoes. She explains that while the company claims to be providing their staff with fair wages, and ethical working conditions and treatment, evidence provided consists of three unverified pictures on their website.¹⁷⁷ TOMS does not provide a direct link to its production information nor manufacturing practices or policies.¹⁷⁸ Since TOMS argues it is providing a solution to development, it is critical to understand where and how their products are being made. Due to the lack of transparency from the corporation it raises important questions: Who are producing the shoes that are being sold as a solution to poverty and are the workers in TOMS factories witnessing proper labour standards?

TOMS is not the world’s most maleficent corporation, but it is also not the most appropriate model for the transfer of corporate funds to development projects. In this

¹⁷⁵ Jeff Chu, “TOMS Sets out to Sell a Lifestyle, not Just a Shoe,” *Fast Company*, Published 2013, <http://www.fastcompany.com/3012568/blake-mycoskie-toms>, (Accessed March 2015).

¹⁷⁶ Blake Mycoskie, “The Treehugger Interview: TOMS Shoes Part Two,” Interviewed by Jacob Gordon, *Treehugger*, Published September 18, 2008, <http://www.treehugger.com/treehugger-radio/the-th-interview-toms-shoes-part-two.html> (Accessed March, 2015).

¹⁷⁷ Jessica Marati, “Behind the Label: TOMS’ One for One Campaign,” *Ecosalon*, Published March 2012, <http://ecosalon.com/behind-the-label-toms-one-for-one/>, (Accessed April, 2015).

¹⁷⁸ Jessica Marati, “Behind the Label: TOMS’ One for One Campaign.”

regard The Foundation Strategy detailed in Chapter 5 endeavours to remediate many of these problems. Indeed, what makes TOMS dangerous is its insistence that there should be a ‘simple solution’ to development issues, despite answers being necessarily complex. They are using their consumer breadth, reach, and power to convince consumers that all they need to do to ‘save Africa’ is buy a pair of *their* shoes.

In 2011, the blog “Good Intentions are Not Enough” launched a campaign, aptly named *A Day Without Dignity*, against TOMS, calling for the company to step back from their development strategy and look at what is truly required in a developing community.¹⁷⁹ TOMS has made all of its profits on selling poverty and making the Western consumer ‘feel good,’ demonstrating how marketable, and simultaneously ineffective, this approach can be. Himmelstein argues that philanthropy has thus transcended into a model that fosters an environment where corporations are able to ‘look good’ to the public and make the consumer ‘feel good’ by marketing a fast solution, instead of actually ‘doing good,’ despite the latter harbouring a deeply subjective and often immeasurable connotation. It is this marketable business model that makes companies profitable, simply by selling a consumer-driven solution to poverty. Continuing, the following section will explore the alternative approach to this stream in the RED campaign: a tool for companies seeking the benefits of cause-related marketing without having being founded on such a premise.

¹⁷⁹ Tom Murphy, “‘A Day Without Dignity’ Challenges International Aid Paradigm,” *Global Post*, Published April 2012, <http://www.globalpost.com/dispatches/globalpost-blogs/rights/day-without-dignity-challenges-international-aid-paradigm>, (Accessed April 2015).

3.3 The RED Campaign

One of the most prominent examples of this particular funding strategy is Product RED, launched in 2006.¹⁸⁰ Ignited by Bono and Bobby Shriver, RED has developed into “a business model to raise awareness and money for the Global Fund” by partnering with the world’s largest corporations to produce RED-branded products.¹⁸¹ It is distinct from the first approach in this stream for these companies were not founded as only the producers and retailers of these RED products. In short, RED came afterwards as an attractive strategy to achieve the same results as TOMS.

The Global Fund is an international financing organization that aims to prevent and treat HIV and AIDS, tuberculosis and malaria. It is consumer purchases of these RED products that dictate how much money a corporation earmarks towards the Global Fund.¹⁸² RED products became available in stores such as American Express, Apple, Gap, Dell, and Starbucks, among others.¹⁸³ Notably, only a percentage of profits from the RED line are given to the Global Fund. Each corporation pays a licensing fee and signs a five-year contract to sell and promote the RED products.¹⁸⁴ In exchange, they are able to market themselves, often through the use of numerous celebrities, as participating in the fight for global health, while drawing consumers into their stores. RED is targeting a customer with a social conscience, imploring them, as said by Bono, to “shop till it stops.”¹⁸⁵

¹⁸⁰ Richey and Ponte, *Brand Aid*, 1.

¹⁸¹ *Ibid.*, 1.

¹⁸² *Ibid.*, 1.

¹⁸³ Richey and Ponte, *Brand Aid*, 1.

¹⁸⁴ *Ibid.*, 2.

¹⁸⁵ *Ibid.*, Preface.

Superficially, this seems like an appealing tool for corporations to buy into, as not only do they increase their revenue by attracting consumers but they are also branded as ‘helping the fight against HIV/AIDS,’ without having to be indefinitely married to the issue area by virtue of organizational mission structure. The reality of the funding strategy employed by RED’s corporate customers is, however, not as flawless as Bono and Shriver might argue. RED proposes that its main goal is to raise capital for the Global Fund but as of 2015, participant corporations have only directed a total of US\$275 million towards it and in 2014 RED directed only US\$64 million.¹⁸⁶ Although this is a large contribution, it is but a small percentage of the US\$14.8 billion that the Global Fund has available in its coffers.¹⁸⁷ While RED is not one of the main contributors to the Global Fund, through effective marketing, they have become significantly linked and branded as if they were. The executive director of the Global Fund, Dr. Richard Feachem, endorses this funding strategy as a way for corporations to help turn their customers into ‘socially responsible consumers.’¹⁸⁸

When a corporation signs an agreement with RED, they are required to direct between 5 and 50 percent of the profits of the RED product to the Global Fund. The total contributions from each corporation participating in the RED Campaign are not disclosed; it is therefore impossible to verify publically how deep their participation goes.¹⁸⁹ By 2011, the RED Campaign directed US\$170 million towards the Global Fund, but Advertising Ages magazine reported that RED had thus far spent over US\$ 100 million

¹⁸⁶ The Global Fund, “RED,” <http://www.theglobalfund.org/en/partners/privatesector/red/> (Accessed August 20, 2015).

¹⁸⁷ The Global Fund, “The Global Fund 2014 Annual Financial Report,” http://www.theglobalfund.org/en/publications/2014-04-13_The_Global_Fund_2014_Annual_Financial_Report/ (Accessed August 2015).

¹⁸⁸ O’Manique and Rahman, “(Product) RED,” 118.

¹⁸⁹ *Ibid.*, 117.

on advertising during that same period.¹⁹⁰ This magazine's investigation, sparked by a Super Bowl commercial advertising Dell's new RED laptop coupled with the slogan 'Buy Dell. Join RED. Save Lives.' was rebuked by RED officials who argued that the Campaign had only spent US\$ 50 million for marketing purposes.¹⁹¹ The RED campaign allows corporations to use minimal funds to leverage and emphasizes their participation to the cause.

RED offers corporations an outlet to participate in philanthropic development projects coupled with a financial incentive. The fact that RED does not direct a large amount of capital to the Global Fund, and that they have almost spent as much on marketing as on development projects is only half the problem. The other half stems from the supply chain of those products being marketed as RED. For example, Gap, in using RED as a cause-related marketing tool, introduced an associated line of t-shirts that was supported and marketed by Oprah, Penelope Cruz, and Kanye West in 2006 when they signed with the Campaign.¹⁹² Gap directed half of the profits of these t-shirt to the RED Campaign and the other half remained with them. Not only did this allow Gap to brand their philanthropic work with RED but, additionally, they still are able to make a profit on t-shirts they would not normally be selling, fundamentally allowing them to profit on global 'poverty.' Additionally, Gap by virtue of being organizationally separate from RED, unlike TOMS and its own cause-related marketing, is able to leave the campaign as it so chooses. Attention must be brought to the t-shirts they are selling, for Gap has faced

¹⁹⁰ Ron Nixon, "Bottom Line for (RED)," *The New York Times*, Published February 2008, http://www.nytimes.com/2008/02/06/business/06red.html?pagewanted=all&_r=0, (Accessed April, 2015).

¹⁹¹ Nixon, "Bottom Line for (RED)."

¹⁹² Richey and Ponte, *Brand Aid*, 25.

a long history of sweatshop allegations.¹⁹³ Ponte and Richey further this argument by articulating that often the corporations that buy into RED do not focus philanthropic projects on the workers themselves that produce these products at extremely high volumes and low costs. Rather they are argued to employ RED campaigning tactics because it “increases sales, visibility, and brand equity” without the firm having to dive into and addressing the fundamentals of their pre-existing ‘hard commerce.’¹⁹⁴

As of 2007, Gap had over 3,000 contracted factories around the world, with a high volume of products coming from Kenya, Lesotho, Madagascar, Mauritius, and Bangladesh.¹⁹⁵ In 2012, Gap’s net sales were over US\$15.7 billion, making it one of the largest garment producers in the world.¹⁹⁶ In their *2011-2012 Social and Environmental Responsibility Report*, Gap outlined all of the positive work they are doing around the world. In the report, they claim to hold a high value for human rights, labour standards, and the protection of an ethical supply chain behind their products.¹⁹⁷ They outline that this year marked a turning point for the company as they began focusing more directly on improving the working conditions for garment workers. The corporate document articulates that workers receiving higher wages will make the factory more efficient, which will lead to an increase in productivity, thus ensuring their stockholders increased profitability.¹⁹⁸ The tone of this report emphasizes that Gap is a company “deeply committed to social and environmental responsibility.”¹⁹⁹

¹⁹³ Richey and Ponte, *Brand Aid*, 141.

¹⁹⁴ *Ibid.*, 133.

¹⁹⁵ *Ibid.*, 135.

¹⁹⁶ Gap Inc., “Social and Environmental Responsibility Report 2001-2012,” <http://www.gapinc.com/content/csr/html/report-builder.html>, (Accessed March, 2015).

¹⁹⁷ Gap Inc., “Social and Environmental Responsibility Report 2001-2012.”

¹⁹⁸ *Ibid.*

¹⁹⁹ *Ibid.*, 5.

The data provided in this report, however, tells a different story. In the Human Rights Data section, Gap charts out the number of factories it has by geographical region and the percentage of those factories that meet their working and human rights standards of Excellent, Good, Fair, and Action Required.²⁰⁰ There is not a single region that has all factories that meet the standards of only Good or Excellent. For example, in Greater China there are a total of 343 factories of which 22.4% are in Need of Action and 32.4% are only rated as Fair in regards to human rights.²⁰¹ In South Asia out of the 332 factories, while only 8.1% are in Need of Action, 47.9% are ranked in the Fair category; just 8.7% of the factories are ranked as Excellent in meeting human rights standards.²⁰² When representatives of the corporation evaluate the standards of human rights there are four main areas that are examined: management system; environment; labour; and, working conditions. Although this report continuously emphasizes the positive work Gap is doing for development, their own data shows that in 2012 only 16.1% of factories had reached the standard of Excellent in regards to human rights.²⁰³ Indeed, the significant presence of sub-standard working conditions and treatment in Gap factories came to a climax in 2013, when reports from a Bangladeshi sweatshop were publically disclosed.

Workers claimed that they were being forced to work over 100 hours a week with few breaks and were being paid a very low wage.²⁰⁴ Morium Begum, a Bangladeshi sweatshop worker in Ashulis, was one of the many women that was quoted in a report released by the Institute for Global Labour and Human Rights, which focused on routine

²⁰⁰ Gap Inc, “ Social and Environmental Responsibility Report 2001-2012,” 61.

²⁰¹ Ibid., 61.

²⁰² Ibid., 61.

²⁰³ Ibid., 61.

²⁰⁴ Sarah Lazare, “Gap, Old Navy, and the Living Hell of a Bangladeshi Sweatshop,” *Common Dreams News*, Published October 2013, <http://www.commondreams.org/news/2013/10/04/gap-old-navy-and-living-hell-bangladeshi-sweatshop>, (Accessed March, 2015).

punishments, illegal firing, and lack of maternity leave.²⁰⁵ Further, the *Washington Post* reported at length on criticisms surrounding Gap factories in Bangladesh having their employees work 14 hours a day for seven days a week.²⁰⁶ These allegations against, in particular, the supply chain of Gap have been prevalent since the company's formation in 1969. Participating in the RED Campaign has allowed Gap to mask or launder their brand by positioning themselves as 'helping developing countries,' thereby gaining increased customer support and profitability while maintaining the by-line that they are 'saving Africa.' It should be noted that when Gap first joined the RED Campaign, they spent US\$7.8 million dollars on advertising in the fourth quarter of 2006 alone.²⁰⁷ This example clearly shows how Gap is helping with one development problem, while simultaneously creating another.

GAP is not the only example of a corporation selling a RED product which itself is not ethically produced. As previously outlined in the literature review, with the purchase of a RED iPod, there would be US\$ 10 directed towards the Global Fund. The coltan used in its production, however, entails human and environmental externalities that may be much larger than any RED iPod benefits.²⁰⁸

The RED Campaign was built as a tool for Western corporations to help their consumers feel like they are supporting the fight against HIV/AIDS in Africa by purchasing product that will help 'distant others.' Consumers can even go to an 'impact calculator' through the RED website, click the product they want to buy and the

²⁰⁵ Sarah Lazare, "Gap, Old Navy, and the Living Hell of a Bangladeshi Sweatshop."

²⁰⁶ Dave Boyer, "Despite Obama's Praise for higher Pay, The Gap Inc has Spotty Record on Sweatshops," *The Washington Times*, Published March 2014, <http://www.washingtontimes.com/news/2014/mar/16/despite-obamas-praise-for-higher-pay-gaps-has-spot/?page=all>, (Accessed March 2015).

²⁰⁷ Richey and Ponte, *Brand Aid*, 145.

²⁰⁸ O'Manique and Rahman, "(Product) RED," 127.

calculator will show you exactly how many lives in Africa they are saving.²⁰⁹ Richey and Ponte would define this as an example of “creative capitalism,” as it is asking consumers to buy and spend their money in order to save an ‘African child’ or ‘fight HIV/AIDS.’ RED has acted as an external tool for corporations to promote their philanthropic work and label themselves as ‘cool’ and ‘caring,’ while allowing them to build profits on ‘helping the distant others.’²¹⁰ Although this type of funding strategy is different from traditional philanthropy, it is fast becoming common in the corporate world.²¹¹ In addition, this relatively new form of philanthropy has merged the once divided concepts of giving and profit accumulation.

3.4 Analysis

As seen from the examples above, this particular stream draws from two approaches. First, a company can found itself entirely on the premise of consumers purchasing a branded product, for which in turn the company will perform, some sort of obligated social good. Alternatively, corporations can buy into an external mechanism to achieve the same results, whereby the total sales of a particular product will, in turn, determine the percentage of profits directed to a development project. In both cases, a corporation puts their philanthropic development projects in the hands of the consumers’ ‘buying’ and ‘spending.’ Further, this strategy as a whole has developed to be focused primarily on marketing, as a corporation often spends a significant amount of capital to brand themselves to the specific cause. The use of this strategy, drawing from venture and strategic philanthropy, allows corporations to use tactics such as cause-related marketing campaigns to profit off of poverty while making the consumer feel good about their

²⁰⁹ Richey and Ponte, *Brand Aid*, 122.

²¹⁰ *Ibid.*, 180.

²¹¹ *Ibid.*, 180.

purchases. Both variants of this funding strategy have become common practice for corporations, as they not only provide them with a more positive brand, but ultimately make them more profitable.²¹²

Although RED has provided a sustainable flow of money from the private sector to fight the spread of HIV/ AIDS and TOMS has delivered shoes to children around the world, neither case can be seen as inherently positive or negative, nor can they be seen as a sustainable approach that focuses on long term development. Simply, TOMS can be understood as a band-aid solution inhabiting a core organizational mandate and RED, a cause-related marketing tool.²¹³ Development issues are very complex and often when corporations aim to address only their symptoms and not root causes of underdevelopment, disease or poverty, other significant problems can arise (recall Gap using exploitative labour conditions to fight HIV/AIDS).

These examples show that through effective marketing they can brand themselves to a cause that they argue to be most prominent to development, despite both examples demonstrating an endemic oversimplification of problems. Bishop and Green contend that these cases are examples of how these private sector actors have been able to contribute in a way that governments are unable, through direct source funding.²¹⁴ However, both TOMS and the followers of RED have built their respective business models on the unbalanced marriage of giving and profit accumulation, while also overlooking the root causes of developmental problems. This first funding strategy oversimplifies problems in order to induce consumption. Each issue, whether it is the fight against AIDS, improper sanitation, or lack of footwear, should not completely be

²¹² Gautier and Pache, "Research on Corporate Philanthropy," 348.

²¹³ RED, "Our Story."

²¹⁴ Bishop and Green, *Philanthrocapitalism*.

devolved into consumption as solution model, as this only perpetuates a capitalist system that is commonly held as responsible for the marginalization of many developing countries that these corporations are aiming to help. Simply put, this particular funding strategy ‘replaces virtuous actions with mindless buying.’²¹⁵

²¹⁵ Eikenberry, “The Hidden Costs of Cause Marketing.”

Chapter Four: The Philanthropic Wing

The second funding model, titled Distinct but Controlled Strategy, entails a corporation funding development projects through *a philanthropic wing*. In comparison to TOMS, this strategy exists as a corporation establishing an in-house philanthropic wing or office, that is organizationally distinct, separate and fundamentally independent of the “approaches” it takes to achieve developmental results. Simply put, the corporation does not solely rely on their development agenda to make financial capital, as they are selling a product or service that is disconnected from their philanthropic goals. TOMS, due to its core, indispensable adherence to one issue area, is fundamentally married to it, without possibility of separation. In contrast, a philanthropic wing has the ability to employ tools such as RED to conduct their corporate philanthropy on an as-needed, situation specific, and/or corporate requirement basis, while being divorced from any one particular development issue. Put another way, a philanthropic wing, as alluded to in the previous chapter, can use and attach itself to any such RED-type tools whenever and wherever its corporate leadership decides. The philanthropic wing can become any number of “Temporary TOMS,” by using tools such as RED, or developing their own cause-related approaches, without having to fundamentally restructure their core when switching issue areas. In addition, this strategy is not always and eternally related directly to the sale of a product, although depending on the tool used it can be; but rather each philanthropic endeavor is funded mainly by a corporation at the centre of decision-making, initiating philanthropic projects through the wing, often sharing both staff and resources, including a board of directors and other leadership.

Further, this second funding strategy allows corporations to engage with

philanthropic projects under the umbrella of the firm, meaning that a corporation has direct association to projects and control over where their funds are being oriented. The strategy itself can take these four forms: a corporation can adopt a RED like tool; a corporation can outsource output delivery but not control to a charitable organization; it can develop in-house programs, products, and campaigns; or it can employ a collaborative model.

This section will begin by outlining this funding strategy, breaking it down into the four possible sub-methods noted above, which will be followed by a case example of the Coca Cola Company, as it deploys projects that fit into each sub-method. The section will end by analyzing this funding strategy against the arguments extracted through the literature review, drawing out the spectrum of enthusiastic and skeptical perspectives pertaining to this method.

4.1 Funding Strategy

The second funding strategy presented here is argued to allow corporations to fluidly associate with projects and causes through a philanthropic wing directly under the control of that company, providing for minimal

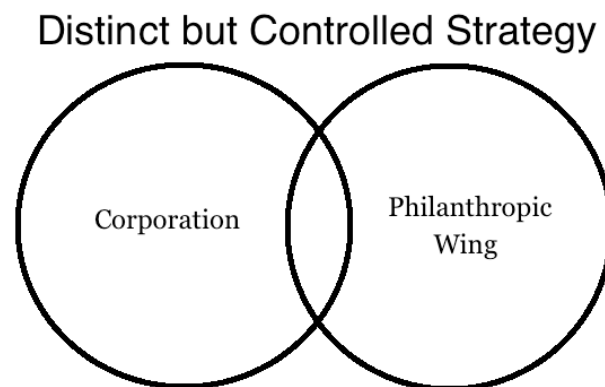


Figure 2

separation between development projects and their primary funders. This funding approach is very common among corporations that are participating in development, particularly those that lack the will, interest, or material capacity to set up an independent

philanthropic foundation. Gautier and Pache explain that as it has become increasingly impossible for corporations not to participate in philanthropic projects due to burgeoning public pressure for improved social responsibility from the private sector, this strategy gives a company the ability to deploy its philanthropic participation to a range of issue areas and then brand that participation in a favourable way.²¹⁶ Specifically, creating a philanthropic wing to deploy development projects not only supports positive branding for a firm but also allows them to broach a particular causal area that may be financially beneficial to the company at that time while avoiding the development issue trap of an actor like TOMS. Further, this funding strategy does not require a company to set up a separate foundation or organizational entity, but instead, by virtue of its being attached to the corporation, it can reduce associated costs by using the latter's resources and staff, therefore instilling that the governance and financial structure runs directly through the company.

As noted, the first method a corporation can follow under this second funding strategy is to utilize pre-existing tools, such as RED, to meet changing development objectives. Philanthropic wings can buy into these external opportunities on an as needed basis, while each remaining distinct entities that are temporarily united by virtue of a business' and a wing's interests. This is opposed to a philanthropic wing building its own in-house campaigns and strategies.

Bryan Husted explains that there are three additional ways in which senior management can choose to distribute their philanthropic funds in a manner that would be most beneficial to the company: outsourcing to a charitable organization; developing in-

²¹⁶ Gautier and Pache, "Research on Corporate Philanthropy," 343.

house programs; or, employing a collaborative model with a non-profit organization.²¹⁷ Husted has formulated these three techniques from a business perspective, allowing a corporation to use the resources at its disposal to ‘make every investment count’ including philanthropic projects.²¹⁸

Husted clarifies that while corporations have the ability to produce social benefits for target communities, they will generally only participate in these projects if it provides them with in-kind economic benefits. In this case, these benefits would likely be presented as an increase in their public image, revenues, and marketability.²¹⁹ Further, Husted has outlined these three methods to help corporations choose a funding structure or model that will be most effective for achieving their own self-interest. For example, if a corporation chooses to spend their philanthropic funds on the fight against HIV/AIDS, they must decide which approach would be most beneficial to them financially. The firm could choose to fund not-for profit organizations that are already focusing on HIV/AIDS, they could use the corporation’s resources to find a ‘cure,’ or they could collaborate with universities to form a research project on HIV/AIDS.²²⁰ These methods are opposed to a company opting in to a private sector-focused and income generating tools, such as RED. However, regardless of which approach is taken by a corporation, this particular strategy remains hallmarked by it being still directly attached to, and controlled by, the company as will be explained in detail below.

The second sub-method broached by this chapter involves a company choosing to direct their philanthropic funds towards a charitable organization. This is the most

²¹⁷ Bryan Husted, “Governance Choices for Corporate Social Responsibility: to Contribute, Collaborate or Internalize?” *Long Range Planning* 36 (2003): 481.

²¹⁸ Husted, “Governance Choices for Corporate Social Responsibility,” 481.

²¹⁹ *Ibid.*, 482.

²²⁰ *Ibid.*, 482.

indirect or hands-off approach a company can take in this particular strategic stream.²²¹ These charitable contributions from a corporation are characterized as a ‘transfer of finances or resources from a firm to a non-profit organization’ for domestic or international development projects.²²² In this method, a corporation can direct their funds towards organizations that are experts in a defined field or sector, and which understand complexities of the issue in question. Moreover, if a corporation follows this funding method their role in the outcome of a project is minimal, with their main focus instead being the decision-maker for deciding which organizations to fund as they are not the project implementers. Therefore, Silk and Lintoll explain that this method is the simplest and easiest because it only involves selecting a donation destination and ‘signing of a check’ to a charity or cause that is most appealing to a company, and which that latter has selected for the purposes of serving its own marketing, branding, image, and profit-based agenda.²²³ This strategy is most employed by a firm that wants to relinquish control over the execution of a project on the ground, placing the responsibility with an external organization, while remaining interested in garnering the “publicity, the kudos, and the goodwill that attend the announcement of such financial gifts.”²²⁴ This can be seen as an example of Salamon’s ‘yin-yang’ approach, as corporations have the ability to fund an organization with which that the company would not normally work. In short, this means that a corporation now has the ability to transfer funds to an outside organization with pre-existing structures, personnel, and both subject and institutional knowledge on a

²²¹ Husted, “Governance Choices for Corporate Social Responsibility,” 483.

²²² Ibid., 483.

²²³ Roger Silk, James Lintoll, Christine Silk and Andrew Stephens, *Creating A Private Foundation: The Essential Guide for Donors and their Advisers* (Princeton: Bloomberg Press, 2003) 3.

²²⁴ Silk and Lintoll, *Creating A Private Foundation*, 2.

development issue, while the company can use any positive work done by the organization to boost its own image.

The third method under this strategic approach is that corporations can internalize their philanthropic projects, which involves more extensive participation from corporations while using their own resources.²²⁵ This approach means that a corporation itself allocates philanthropic funds, designs projects, and is responsible for implementation. When a corporation chooses this method, their in-house philanthropic wing retains control of associated development projects.²²⁶ Husted explains that this often leads to donors and recipients becoming more dependent on each other as corporations want the project to succeed and recipients are reliant on the former's continued financial support. Often the financial costs of employing this in-house approach is significantly higher as a corporation will fund the budget in its entirety, and needs to employ staff to execute the projects.²²⁷ The main advantage of this method is a company can target projects or recipients that would meet the specific self-interested and profit motivated needs of the company. Simply put, if a company is receiving negative media attention on a specific area or topic, it can respond by designing an in-house philanthropic project that addresses these issues. Building a school, for instance, to remedy public image issues surrounding the destructive externalities of an industrial facility could be a method employed here. Although a school would only be a band-aid solution, it would allow the corporation to promote the 'positive work' they are doing in the community.

The fourth sub-method is a collaborative approach, meaning that a corporation works closely with partner organizations, often an NGO or university, to execute a

²²⁵ Husted, "Governance Choices for Corporate Social Responsibility," 484.

²²⁶ *Ibid.*, 484.

²²⁷ *Ibid.*, 484.

philanthropic project.²²⁸ This strategy involves a company providing funding and resources to a partner in order to achieve a successful outcome by working together. In this strategy the implementation of a project does not fall solely on the corporation, but the partner organization also offers their expertise on the related topic. This popular method formulates a high degree of mutual dependence as the partner organization and corporation form a tight working relationship to generate a successful outcome.²²⁹

4.2 Coca Cola

Within this funding strategy it is common for corporations to follow one of the sub-methods when distributing its philanthropic funds, however, due to its vast size, the Coca Cola Company funds projects using three of the four methods. Through its philanthropic work, it directly funds several organizations, employs numerous in-house projects, and has various partner organizations. This case study will investigate the possible benefits and drawbacks of this funding strategy while drawing on both corporate-led development enthusiasts and skeptics. It should be noted that while Coca Cola has labeled the philanthropic arm as a foundation, it still remains directly associated to the company, through shared staff and recourses, thus it does not fit into the third funding strategy of this thesis.

In 1984, the then Chairman and CEO of the Coca Cola Company established a philanthropic arm, which is a charitable ‘foundation’ under control of the company.²³⁰ By 2013, Coca-Cola had used this arm to direct and diffuse over US\$98 million in development funding, while the company directed US\$45 million to specific projects in

²²⁸ Husted, “Governance Choices for Corporate Social Responsibility,” 484.

²²⁹ *Ibid.*, 487.

²³⁰ Coca-Cola, “The Coca-Cola Foundation,” *Our Company*, <http://www.coca-colacompany.com/our-company/the-coca-cola-foundation> (Accessed March 1, 2015).

over 122 countries.²³¹ While doing so in that same year the company had gross profits of over US\$28 billion.²³² In addition, Coca Cola spent US\$7 billion in 2014 for promotional and marketing programs alone and in 2013 the company spent US\$3.3 billion on global advertising.²³³ By contextualizing these figures, it places into focus how small the amounts directed towards development are, in relation to the size of the corporation's annual turnaround of sales and expenses.

Coca Cola states that it works together with its foundation to 'deliver the power of capabilities, expertise and funding to communities around the world.'²³⁴ Further, the company articulates that the work of its philanthropic arm aligns with their corporate objectives, which allows them to work together when funding projects. Coca-Cola advertises on its website that the company directs 'one percent of its prior year's operating income' to philanthropic projects employed by the foundation.²³⁵ The Coca-Cola Foundation directs its funds based on their parent company's priorities, tax requirements, legal compliance, and preference of the former's board of directors.²³⁶ Although it directs this significant amount of funds, the company publicly states that the above tenets influence how funds are directed.

On paper, the Coca Cola Company, with the help of their philanthropic arm, is helping to 'save the world' through development projects. Coca-Cola's philanthropic

²³¹ Coca-Cola, "Sustainability Report 2013/2014," <http://assets.coca-colacompany.com/77/4c/2a44a5234a3ca65d449d174a0ded/2013-2014-coca-cola-sustainability-report-pdf.pdf> (Accessed May 20, 2015): 38.

²³² United States Securities and Exchange Commission, "Annual Report: The Coca Cola Company," <http://assets.coca-colacompany.com/d2/78/7d7cad454f3fbd033d55d786b890/2014-annual-report-on-form-10-k.pdf> (Accessed May 20, 2015): 139.

²³³ United States Securities and Exchange Commission, "Annual Report: The Coca Cola Company," <http://adage.com/article/cmo-strategy/coca-cola-maintains-marketing-spend-amid-sluggish-demand/294251/> (Accessed January 1, 2015): 8.

²³⁴ Coca-Cola, "Sustainability Report 2013/2014," 39.

²³⁵ Coca-Cola, "The Coca-Cola Foundation."

²³⁶ Ibid.

wing markets that its priority areas for fund distribution are women, water, and well-being, meaning that the majority of its projects will focus on at least one of these areas.²³⁷ They argue that the company has provided millions of dollars to address these issues worldwide and thus should be seen as ‘doing good’. Indeed, the company has directed significant capital towards development projects that have had a positive impact for developing communities in these priority areas; however, it is important to question how the corporation became profitable enough to direct these funds and further investigate how developing communities were affected by production of Coca Cola products.

The example of the Coca Cola Company and its philanthropic foundation is a possible manifestation of what Ilan Kapoor calls ‘decaf capitalism,’ a term previously discussed in Chapter Two. Kapoor argues that decaf capitalism is followed by corporations who are using their philanthropic endeavours to mask any negative actions they might have participated in to become initially profitable.²³⁸ Coca Cola has received significant pressure from citizens around the world that have been directly impacted by the production of its products. These individuals argue that the company has committed crimes around the world and, through excellent marketing; many of these detrimental actions have been brushed behind the supposed positive philanthropic work the foundation is achieving. For instance, in India, there are several communities that have been subjected to the company draining vast amounts of public water, virtually turning their farming land into deserts as a consequence of their bottling process.²³⁹ In January 2004, over 500 protesters rallied together to condemn the negative externalities that arose

²³⁷ Coca-Cola, “The Coca-Cola Foundation.”

²³⁸ Kapoor, *Celebrity Humanitarianism*, 61.

²³⁹ Killercoke, “Coke’s Crimes in India,” http://killercoke.org/crimes_india.php (Accessed March 1, 2015).

from the presence of this corporation in India. The protest focused on three communities in particular that were experiencing significant damage to their water supply: Plachomada in Kerala; Wada in Maharashtra; and, Mehdiganj in Uttar Pradesh.²⁴⁰ The protestors argued that Coca-Cola was not leaving enough water for the communities to survive and the water that remained was polluted from use in production facilities.²⁴¹ After years of protests in Uttar Pradesh, the company was forced to close one of their factories, thanks in large part to the exposure of practices of extracting groundwater above the allowed legal limit and polluting the surrounding environment with toxic substances.²⁴² Although it was but one factory in India, of the 58 bottling facilities it owns and operates, the Uttar Pradesh Pollution Control Board stated that the success of the protests was a ‘great win’ for the local communities situated in the plant’s immediate vicinity.²⁴³

This can be seen as an example of decaf capitalism because Coca-Cola is using its profits to directly fund their philanthropic foundation to ‘fix’ or ‘help’ issues that it may have had a hand in creating. For example, it is extracting water from communities around India, yet with its philanthropic arm it is implementing projects that focus on the importance of clean water and insuring access of clean water to citizens around the world. If Coca-Cola was truly concerned with water as a development issue, it would not only direct profits to its marketable foundation, rather it would push itself to extract water in a sustainable and ethical manner, respecting the needs and environment of local communities.

²⁴⁰ Killercoke, “Coke’s Crimes in India.”

²⁴¹ Ibid.

²⁴² RT News, “Coca-Cola Forced to Close India Bottling Factory over Excessive Water Use and Pollution,” Printed June 21, 2014, <http://rt.com/news/167012-coca-cola-factory-closed-india/> (Accessed May 20, 2015).

²⁴³ RT News, “Coca-Cola Forced to Close India Bottling Factory over Excessive Water Use and Pollution.”

Further, another example of decaf capitalism can be shown through the domination of Coca Cola products in developing countries versus its marketing for the importance of proper nutrition and health. In many developing countries the cost for clean water can be significantly high; the 2006 United National Human Development Report explained that if you live in a slum in Manila the cost for clean water would be more per person than for those living in London.²⁴⁴ As a consequence, local populations in developing countries often search for cheaper alternatives to expensive clean drinking water, a void regularly filled by Coca Cola, which is quite often cheaper and more accessible than water.²⁴⁵ Therefore these communities have become a profitable market for Coca Cola because citizens are buying its product rather than clean water because the cost is lower.²⁴⁶ For example, Coca Cola Femsa, the company's largest subsidiary bottling facility that supplies all of Latin America, regularly reaches out to indigenous and impoverished areas in Mexico to set up shop fronts that advertise and sell its product.²⁴⁷ Coca Cola has also been known to set up stands that only sell its products at the entrances of schools to attract the business of children, whom do not have access to clean drinking water.²⁴⁸

Although there are a vast number of negative allegations against this company, it has still managed to be named recipient of both public figure and social responsibility awards. For example, regardless of the undesirable attention surrounding the

²⁴⁴Anup Shah, "Water and Development," *Global Issues*, <http://www.globalissues.org/article/601/water-and-development> (Accessed May 27, 2015).

²⁴⁵Cathy Holt, "Water Privatization," *Reclaiming Quarterly*, <http://reclaimingquarterly.org/95/95-water-privateholt.html> (Accessed May 27, 2015).

²⁴⁶Maria Verza, "Coca-Colization of Mexico, the Spark of Obesity," *Periodismohumano*, <http://english.periodismohumano.com/2013/03/05/the-coca-colization-of-mexico-the-spark-of-obesity/> (Accessed June 1, 2015).

²⁴⁷Verza, "Coca-Colization of Mexico, the Spark of Obesity."

²⁴⁸Ibid.

environmental practices in India, Hindustan Coca-Cola Beverages, a Company-owned bottler in India, still won the Golden Peacock Environmental Management Award each year from 2006-2009.²⁴⁹ This award is given in coordination with the *World Environment Foundation* and the *Institute of Directors* to a corporation or NGO that ‘takes pride in its environmental management’.²⁵⁰ However, whenever the award was won by the company, there was an associated lack of discussion on a number of topics: Coca Cola’s environmentally destructive practices; how the president of Coca Cola India, Sanjiv Gupa, sits on the executive council of the Institute of Directors, which is an Indian organization that aims to set high standards for business;²⁵¹ and, how Coca Cola Company contributes financially to the World Environmental Foundation, the latter two which could possibly point towards a conflict of interest.²⁵²

In continuing our examination of this strategic stream, it is indeed centrally important to analyze the power dynamic between the corporation, its philanthropic arm, and the development projects they deploy and fund. Power dynamics are at the core of this second funding strategy as the corporation does not relinquish full control of a project, rather maintains a steady influence through all sub-methods. The philanthropic arm of Coca Cola was established in the United States and registered as a charitable organization under Act 501(c)(3), which is based on Section 501 (c) of the United States Internal

²⁴⁹ Coca Cola, “Think Locally. Refresh Globally,” *Annual Review 2006*, http://assets.coca-colacompany.com/ff/e4/bca3f1b04709b432ca88788b9618/koar_06_2006_review.pdf (Accessed May 20, 2015).

²⁵⁰ Golden Peacock Awards, “Global Peacock Environment Management Award,” <http://www.goldenpeacockawards.com/awards/environment-management-award.html> (Accessed May, 20).

²⁵¹ Institute of Directors, “About IOD,” <http://iodonline.com/about-iod/about-iod.html> (Accessed May 20, 1015); Institute of Directors, “IOD Distinguished Fellows,” <http://iodonline.com/about-iod/distinguished-fellows.html> (Accessed May 20, 2-15).

²⁵² KillerCoke, “Overexploitation and Pollution of Water Sources in India,” http://killercoke.org/crimes_india.php (Accessed May 20, 2015).

Revenue Code.²⁵³ Through this Act, the Internal Revenues Services (IRS) grants tax-exemption to corporations for their charitable contributions.²⁵⁴ This Act clearly states that the tax exemption is granted as long as there are not direct financial benefits for private interests.²⁵⁵ Thus, the capital spent by Coca Cola is not subjected to taxes regardless of any *indirect* benefits they receive from participating in philanthropic projects. It seems that their funding of a philanthropic arm has become a way to use untaxed capital to enhance their marketable, positive brand image to consumers. The American tax system is conducive to giving tax breaks towards corporate giving under this strategy, Arthur Gautier, Anne-Claire Pache and Valérie Mossel discuss how the French system has begun to change to compete with international standards. For example they explain that in France in the 1980s there was almost no tax incentives for corporations or foundations to give funds, unlike the U.S.²⁵⁶ Since 2003, however, French law allows corporations to deduct 60 percent of their total giving from their corporate tax.²⁵⁷ Corporations, such as Coca-Cola, are drawn to countries that provide tax incentives because, as core to their company's nature, they still remain profit-seeking entities and such tax-related benefits are one of the enticing features of corporate giving.

In addition, the board of directors that is responsible for directing philanthropic capital is directly associated with the corporation, thus further instilling the lack of separation between the two entities which allows the latter to maintain control over the

²⁵³ Coca Cola, "The Coca Cola Foundation."

²⁵⁴ IRS, "Exemption Requirements- 50(c)(3) Organizations," <http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501%28c%29%283%29-Organizations> (Accessed May 20, 2015).

²⁵⁵ IRS, "Exemption Requirements- 50(c)(3) Organizations."

²⁵⁶ Arthur Gautier, Anne-Claire Pache and Valerie Mossel, "Giving in France: A Philanthropic Renewal after Decades," in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiekping and Femida Handy (New York: Palgrave Macmillan): 142.

²⁵⁷ Gautier, Pache and Mossel, "Giving in France," 142.

former. For example, Lisa Borders is the Chair of the Coca Cola Foundation while maintaining her position as Vice President of Global Communities Affairs for the company.²⁵⁸ Further, while an independent chairwoman, Julie White, heads the Australian branch of Coca Cola's Foundation, every other board member is a representative from the corporation itself.²⁵⁹ Similarly in India, there are four main directors for their foundation and all are employed directly by Coca Cola²⁶⁰ While there are independent members on the Foundation's advisory board, power remains in the hands of representatives from the company.

It is common to now associate 'saving polar bears' with Coca Cola, through its partnership with World Wildlife Foundation (WWF). Notably, Coca Cola will only direct US\$2 million over five years towards their Arctic Home campaign for saving polar bears, yet it has become directly associated with the company due to its excellent marketing campaign.²⁶¹ As always, it is important to recall that despite whichever sub-method a corporation chooses within this second funding strategy, the company remains at the heart, for better or worse, of associated philanthropic projects.

4.3 Conclusion

As with the previous funding strategy, philanthropy via consumption, this approach needs to be further evaluated. This strategy gives corporations the freedom to participate in philanthropic projects it determines to be attractive to consumers, without having to provide significant rationale behind the choices. Although this does increase the

²⁵⁸ Coca Cola, "Senior Leadership: Lisa Borders," <http://www.coca-colacompany.com/our-company/senior-functional-leadership-lisa-borders> (Accessed May 20, 2015).

²⁵⁹ Coca Cola, "Coca Cola Australia Foundation," <http://www.coca-colajourney.com.au/coca-cola-australia-foundation/our-board> (May 20, 2015).

²⁶⁰ Anandana, "Advisory Board," <http://www.anandana.org/advisoryboard.html> (Accessed May 20, 2015).

²⁶¹ Coca Cola, "Coke Raises More Than \$2 Million to Save Polar Bears," <http://www.coca-colacompany.com/our-company/coke-raises-over-2-million-to-save-polar-bears#TCCC> (Accessed May 20, 2015).

flow of corporate funds to development projects, Porter and Kramer draw attention to how projects are often ‘diffused and unfocused’.²⁶² They articulate that corporations will often grant cash transfers towards development projects, universities, or charities in ‘hopes of generating goodwill’ in the eyes of their consumers.

In addition, Husted adds that projects funded by corporations are often oversimplified as they only focus their attention on the most marketable development issue, despite development issues being complex and convoluted in multiple factors. Further, it is very common for there to be different results of a project than what was expected.²⁶³ Building on this, Husted explains how this method places significant power in the hands of the donor, or corporation, as it has the ability to pull funds or collaborate with other organizations if the outcome of the project is not what is best for the firm.²⁶⁴ The corporation is able to switch their funding strategy based on ‘current needs and the changing of social trends,’ or otherwise said, what is brandable to their consumer.²⁶⁵ Therefore, if a corporation is funding a project that is long-term, but does not provide them with quick-wins, they have the power to take their philanthropic donations and direct them instead to a project or tool that will give fast, marketable results.²⁶⁶

Consumers are attracted to results that they can see, but this does not foster long-term development solutions. To the consumer, building a school would seem a beneficial objective, however, the communities might not need a school or have trained teachers to fill it when built. In relation to Coca Cola, its partnership with WWF formulated fast marketable results that were captivating for the public. Indeed, this overall funding

²⁶² Porter and Kramer, “The Competitive Advantage of Corporate Philanthropy,” 6.

²⁶³ Husted, “Governance Choices for Corporate Social Responsibility,” 357.

²⁶⁴ *Ibid.*, 485.

²⁶⁵ *Ibid.*, 485.

²⁶⁶ *Ibid.*, 485.

strategy gives corporations the freedom to support development projects in numerous ways while maintaining control and deriving significant indirect benefits. A philanthropic arm is able to spend a small amount of the company's capital, tax-free, on development projects, while supporting that company's public image in a positive way. This is done while keeping the financial and governance structure attached to the corporation. Unfortunately, where the capital initially came from, how the corporation earns its revenue, and what the benefits beyond quick wins for a community or population at large are rarely questioned; a conversation this thesis hopes to spark.

Chapter 5: The Foundation Strategy

This chapter focuses on a third key philanthropic funding approach, The Functionally Independent Strategy, for development, based on corporations funding a philanthropic foundation that exists apart from the former as a separate entity; differing from the other two strategies mainly because a corporation does not have complete control over where they direct their funds, nor are the projects directly related to only consumer purchasing. The third funding strategy entails corporations keeping their philanthropic work at arms length. They offer financial assistance to a foundation that is internally responsible for self-directing these philanthropic funds based on expert recommendations and input. The strategy itself allows for more long-term projects, as independent foundations are not handcuffed by a corporate desire for rapid returns on investment. Consequently, this would normally entail a foundation having a separate board of directors and distinct employees that are responsible for development projects.

This chapter will analyze the case study of the MasterCard Foundation to explore the benefits that the company obtains from funding a philanthropic foundation. This chapter will argue that the third funding strategy, although still the object of significant critique, involves a potential shift in the power dynamic between the corporation and the foundation, placing decision-making in the hands of field experts whom are educated on development strategy, policy, and practice, and thereby resulting in a more conducive environment for effective philanthropic efforts.

5.1 Funding Strategy

Corporate philanthropic actions have evolved into an ‘organizational phenomenon,’ meaning that they are calculated and often part of a

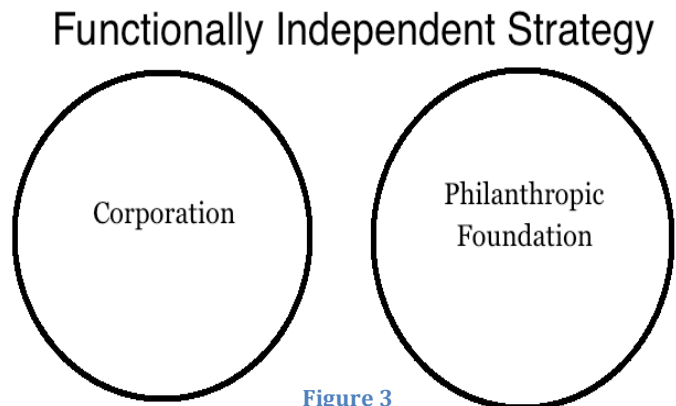


Figure 3

pre-formulated business plan.²⁶⁷ When a corporation creates a separate philanthropic foundation, it is faced with a decision of how much power and control to relinquish. Creating a separate foundation is allowing the decision-making on and about philanthropic projects to run through the executive of a foundation and not of a corporation. Gautier and Pache explain that it is most common for corporations with high net assets or net income to create and fund a philanthropic foundation, as they tend to direct larger financial contributions because they have the funds available²⁶⁸ Not only do they have the financial capacity to make these annual contributions, but they also have to meet higher expectations to its consumer base and the general public if they want to remain a ‘good philanthropic company’.²⁶⁹

Although in the second funding strategy, Coca Cola’s philanthropic arm was labeled a foundation under Section 501(c)(3) of the U.S. Tax Code and given large tax-exemptions, it was still significantly connected to the corporation. Anheier and Toepler explain that there has always been vagueness when legally defining a ‘foundation’, which

²⁶⁷ Gautier and Pache, “Research on Corporate Philanthropy,” 353.

²⁶⁸ Ibid., 350.

²⁶⁹ Ibid., 350.

allows a variety of organizations to claim this status.²⁷⁰ However, the third funding strategy proposed in this paper focuses on foundations as separate entities, meaning they are independent from their funders.²⁷¹ For this strategy, it is noteworthy that ‘independent’ means that decisions of the philanthropy can be made without the influence of the company that created it, ensuring that decision-making authority is not as specifically defined by corporate interests and desires as opposed to Coca-Cola’s philanthropic wing being labeled as a foundation.

In order for a foundation to become financially viable, it requires endowments, donations, a percentage of an associated firm’s profits, or a combination thereof.²⁷² Often, when a corporation is participating directly with projects it mimics the company’s values or those of the CEO; the same cannot be said in all cases of an independent foundation.²⁷³ Gautier and Pache explain that foundations employ development practitioners rather than a case of employees from the corporations simply working on the philanthropic projects.²⁷⁴

There are three main reasons why a corporation would choose to fund a philanthropic foundation. First, a foundation can benefit the development projects by sheltering them from the ups and downs of the business cycle. Second, there are significant tax benefits to the funding corporation. Sansing and Yetman explain that in most countries, contributions to a foundation (including your own) are tax deductible.²⁷⁵

²⁷⁰ Helmut Anheier and Stefan Toepler, *Private Funds Public Purpose: Philanthropic Foundations in International Perspective* (London: Springer Science and Business Media, 2013): 12.

²⁷¹ Anheier and Toepler, *Private Funds Public Purpose*, 12.

²⁷² Minnesota Council on Foundations, “What’s a Foundation or Grantmaker,” <http://www.mcf.org/nonprofits/what-is-a-foundation> (Accessed march 1, 2015).

²⁷³ Gautier and Pache, “Research on Corporate Philanthropy.”

²⁷⁴ Porter and Kramer, “The Competitive Advantage of Corporate Philanthropy,” 11.

²⁷⁵ Richard Sansing and Robert Yetman, “Governing Private Foundations Using the Tax Laws,” *Journal of Accounting and Economics* 41 (2006): 364.

Third, it strengthens the corporation's image as it signals to the public, shareholders, and competitors that the company is socially responsible, as was the case in other strategies.²⁷⁶ Corporations use foundations as a vehicle for philanthropic projects because of these benefits; however, the possibility remains for negative ramifications arising from corporations using this funding strategy. It is noteworthy that Canada, U.S, and France are not the only countries that offer significant tax benefits for corporate giving and foundation. The South Korean government, for example, has recently facilitated the authoring of new policies that support corporate philanthropic giving.²⁷⁷ Chulee Kang, Erica Yookyung Auh, and Younghye Hur outline that although South Korea has a relatively short history of corporate philanthropy, as the country was on the receiving end of these processes until the 1970s, this dynamic has since shifted dramatically. Currently, a corporation is eligible for a maximum of 50 percent deduction from their revenue if they contribute to an organization that is on a list supplied and supported by the government.²⁷⁸ Pamala Wiepking and Femida Handy argue that because of these large tax breaks for philanthropy, South Korea has become one of the most "active nations in global philanthropy."²⁷⁹ Indeed, tax incentives are one of the core components of corporate giving and philanthropy for they provide participants with a hard financial reason and incentive to use their resources to 'do good,' while making a monetary return.

²⁷⁶ Natalie Webb, "Corporate Profits and Social Responsibility: 'Subsidization' of Corporate Income Under Charitable Giving Tax Laws," *Journal of Economics and Business*, 48 (1996): 405.

²⁷⁷ Chulee Kang, Erica Yookyung Auh, and Younghye Hur, "Giving in South Korea: A Nation of Givers for the Population under Public Assistance," in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiepking and Femida Handy (New York: Palgrave Macmillan): 431.

²⁷⁸ Kang, Auh, and Hur, "Giving in South Korea," 431.

²⁷⁹ Pamala Wiepking and Femida Handy, "The Practice of Philanthropy: The Facilitating Factors from a Cross-National Perspective," in *The Palgrave Handbook of Global Philanthropy*, ed. Pamala Wiepking and Femida Handy (New York: Palgrave Macmillan): 598.

In addition, Katina Cranenburgh and Daniel Arenas outline that when a corporation sets up a separate philanthropic foundation they need to examine and decide on three primary traits: first, the scope of how the projects will be funded; second, the level of influence any subsidiaries have on the projects; and third, how much time and resources can be allocated on measuring impact.²⁸⁰ Further, Corporations normally fund a foundation through *payins*, which are primarily based upon the former's annual net profits; subsequently, the foundation then uses the capital for *payouts* through grants to NGOs or its own philanthropic endeavors.²⁸¹ A corporate foundation does not generally have the same large endowments that a family foundation or a university would have; however, it acts as a mechanism for a company to channel its philanthropic capital while still reflecting positively on its brand.²⁸² The *payins* from a corporation normally vary each year. Normally a firm will transfer capital to a foundation based on the company remaining in a particular tax bracket, as contributions made towards the foundation remain non-taxable.²⁸³ For example, if a company wants to remain in a certain tax bracket it is able to transfer a larger amount of capital to its foundation, ensuring they remain in the lower bracket. However, a foundation has the ability to keep *payouts* relatively constant because they have the ability to hold capital to fund projects long term, as they are not concerned with tax brackets. Thus, as one might expect, a foundation will base their *payouts* on capital they already have access to and not relying solely on a

²⁸⁰ Katinka C. Van Cranenburgh and Daniel Arenas, "Strategic and Moral Dilemmas of Corporate Philanthropy in Developing Countries: Heineken in Sub-Saharan Africa," *J Bus Ethics*, 122 (2014): 527.

²⁸¹ Christine Petrovits, "Corporate Sponsored Foundations and Earnings Management," *Journal of Accounting and Economics*, 41 (2006): 337.

²⁸² Petrovits, "Corporate Sponsored Foundations and Earnings Management," 337.

²⁸³ *Ibid.*, 339.

corporation. In addition, it is noteworthy that a foundation is unable to transfer funds back to any parent company.²⁸⁴

Further, if a company does not have a profitable year, a foundation's independence grants it the ability to work with the partners of its choice to fund the philanthropic projects. In 2003, the OECD's Development Assistance Committee (DAC), in analyzing the role of philanthropic foundations globally, explained that even if foundations apply for government funding, they are still essentially separate from government programs. They implicitly have the capacity and flexibility to take risks, and experiment with 'highly decentralized organizational structures'.²⁸⁵ Further, DAC explains that while government aid programs can often change with the tides of an election, corporate foundations normally have a self-renewing board, allowing them to focus on long-term projects instead of short-term 'wins'.²⁸⁶

5.2 MasterCard

When MasterCard Worldwide became a publicly traded company in 2006, they established a parallel philanthropic foundation that would be responsible for the implementation of development work in the Global South.²⁸⁷ In the lead up to the company going public, it released a statement that it would gift 13.5 million newly issued shares to the Foundation, as an effort to evidence publically its commitment to contributing positively to international development.²⁸⁸ Deanna Rosenswig, the first

²⁸⁴ Petrovits, "Corporate Sponsored Foundations and Earnings Management," 339.

²⁸⁵ OECD, "Philanthropic Foundations and Development Co-Operations," *Off-Print of the DAC Journal 4,3 2003* <http://www.oecd.org/development/stats/22272860.pdf> (Accessed March 1, 2015): 11.

²⁸⁶ OECD, "Philanthropic Foundations and Development Co-Operations," 17.

²⁸⁷ MasterCard Foundation, "About," <http://www.mastercardfdn.org/about-us> (Accessed May 1, 2015).

²⁸⁸ MoneyControl, "MasterCard Foundation to Broaden Access to Global Economy," Published 2007, http://www.moneycontrol.com/news/business/mastercard-foundation-to-broaden-access-to-global-economy_275276-1.html (Accessed May 15, 2015); Grace Wong, "MasterCard IPO:

president of the MasterCard Foundation, used her thirty years of experience in banking and microfinance to infuse the norms, values, and objectives of the Foundation to focus on financial inclusion globally, a topic critical to the examination of this case study.²⁸⁹ Shortly after, philanthropic expert Reeta Roy was announced as the new President and Chief Executive Officer.²⁹⁰ Following her appointment, Roy further honed the vision of the Foundation to focus on education and increased access to financial services in developing countries.²⁹¹

In 2011, The MasterCard Foundation had total assets of Cdn \$3.8 billion and spent a total of Cdn \$86.4 million on projects, which equates to 2.27 percent of their total assets.²⁹² Currently, the Foundation currently has a net worth of Cdn \$9 billion and considers itself to be providing philanthropic benefits to 5.6 million people in 46 developing countries, primarily in Africa.²⁹³ As of 2006, the Foundation was registered with the income Tax Act of Canada, exempting them from Canadian income taxes.²⁹⁴

The Foundation has maintained a focus on programs relating to inclusive financing through the advancement of microfinance and increased access to education. Further, the MasterCard Foundation sits organizationally and structurally distinct of its corporate benefactor; they do not share the same policies, board of directors, President or

Not so Priceless,” *CNN Money*, Published 2006, <http://money.cnn.com/2006/05/18/markets/ipo/mastercard/> (Accessed May 15, 2015).

²⁸⁹ MoneyControl, “MasterCard Foundation to Broaden Access to Global Economy.”

²⁹⁰ CSR Wire, “The MasterCard Foundation Names Reeta Roy President and CEO,” Published 2008, http://www.csrwire.com/press_releases/14465-The-MasterCard-Foundation-Names-Reeta-Roy-President-CEO (Accessed May 15, 2015).

²⁹¹ CSR Wire, “The MasterCard Foundation Names Reeta Roy President and CEO.”

²⁹² Mark Blumberg, “Canadian Private Foundations- Who had the largest total expenditures?” Published December 2012, http://www.globalphilanthropy.ca/images/uploads/Canadian_Private_Foundations_-_Arranged_by_largest_expenditures.pdf (Accessed August 2015).

²⁹³ MasterCard Foundation, “About.”

²⁹⁴ The MasterCard Foundation, “Financial Statements,” Published December 2013, <http://www.mastercardfdn.org/wp-content/uploads/2015/05/2013-Mastercard-Foundation-Final-FS-2013-12-31-signed.pdf> (Accessed August 26, 2015).

CEO.²⁹⁵ It is this diffused power dynamic that allows decisions on the implementation of development projects to stay in the hands of the Foundation's experts rather than corporate officials, demonstrating the above separation. Indeed, any employee of the MasterCard Corporation is prohibited from working at the Foundation or sitting on its board of directors.²⁹⁶ As such, the Foundation is able to direct funds towards projects they deem relevant, without corporate oversight and intrinsic subjectivity. Indeed, the Foundation is not responsible for the implementation of all projects, but rather often acts as a financial donor, which then partners with NGOs, international organizations, and universities to enact and realize those activities.

The MasterCard Foundation is involved in three distinct thematic project areas that focus on North-South relations. First, the Foundation's dominant project is the Scholar Program, which has earmarked US\$500 million over ten years towards the objective of educating a 'new generation of leaders'.²⁹⁷ This particular project began in 2011 and is designed to provide funds for youth to support their receiving of secondary and tertiary education, again primarily in Africa. The goal of this program, enabling access to education for youth, will subsequently allow them to equip themselves with the skills, knowledge, and values needed to succeed and make a difference in their communities.²⁹⁸ The Foundation emphasizes that it provides a 'holistic program design,' meaning that if awarded a scholarship, students will be entirely funded while equally

²⁹⁵ MasterCard Foundation, "About."

²⁹⁶ Patrick Morris, "You'll Never Guess Who Owns More of MasterCard Than Anyone Else," *The Motley Fool*, <http://www.fool.com/investing/general/2014/06/22/youll-never-guess-who-owns-more-of-mastercard-than.aspx> (Accessed July 1, 2015).

²⁹⁷ MasterCard Foundation, "Projects," <http://www.mastercardfdn.org/about-us/projects-at-a-glance> (Accessed May 1, 2015).

²⁹⁸ MasterCard Foundation, "Projects."

given access to career counseling and other support.²⁹⁹ Further, the program's authors predict that the scope of this project will reach 15,000 'economically disadvantaged' youth with the help of a global network of universities. Thus far the Foundation has partnered with nineteen universities from a wide variety of countries, including the African Leadership Academy, Duke University, McGill University, Stanford University, and Camfed.³⁰⁰ According to the Foundation's 2013 financial statements, when it gifts any form of scholarship the funds are immediately placed in a restricted account to ensure these resources are available to any student that was awarded the scholarship, regardless of financial ups and downs witnessed thereafter.³⁰¹ This guarantees that the student will be funded entirely through their post-secondary education. An important aspect of this initiative is that the distribution of the funding is placed in the hands of educational institutions and non-governmental organizations, therefore they have the ability to fund students and academics without any tied expectations.³⁰²

The Foundation's second thematic stream is focused on the community-driven education projects targeted at youth. The Foundation has partnered with several NGOs and organizations that work directly in communities to improve access to education, including: Education for Employment Foundation, Freedom From hunger, Save the Children, and Global E-School and Communities Initiative (GESCI).³⁰³ As an example, they have provided US\$ 39.8 million towards a five-year project with Save the Children, which focuses on improving education opportunities for youth in the agricultural sector in

²⁹⁹ MasterCard Foundation, "Projects."

³⁰⁰ Ibid.

³⁰¹ MasterCard Foundation, "2013 Financial Statement," Published June 20, 2014, <http://www.mastercardfdn.org/wp-content/uploads/2013-Mastercard-Foundation-Final-FS-2013-12-31-signed.pdf> (Accessed May 15, 2015).

³⁰² MasterCard Foundation, "Education," <http://www.mastercardfdn.org/youth-learning/the-mastercard-foundation-scholars-program> (Accessed July 1, 2015).

³⁰³ MasterCard Foundation, "Projects."

Burkina Faso, Ethiopia, Egypt, Malawi, and Uganda, many of whom would generally have limited contact with such social services.³⁰⁴ This project, *Youth in Action*, is an example of the Foundation placing the decision making in the hands of the organization. Within this Project, Save the Children has had the ability to utilize their pre-defined *Literacy Boost* method as it has seen success in the past, rather than sticking to a development formula designed by the Foundation. The Literacy Boost approach designed by Save the Children has fostered a technique to engage youth to learn to read using a three pronged approach: measuring the skill level of students; training teachers a range of strategies to help students at all levels; and, involving communities in the learning process.³⁰⁵ This example emphasizes the importance of placing the funds and decision making in the hands of an organization who has experience or pre-constructed models that can be significantly beneficial to communities.

Finally, the Foundation's third project area is the 'bringing [of] economic opportunities' to marginalized populations through microfinance programs. The Foundation argues that investing in microfinance will act as a catalyst for economic development needed in developing countries.³⁰⁶ As such, in order to accomplish this objective, they have partnered with numerous organizations which focus specifically on the ethical, effective distribution of microfinance loans, including: the Boulder Institute of

³⁰⁴ MasterCard Foundation, "Save the Children in Partnership with the MasterCard Foundation launches Youth in Action Program," <http://www.mastercardfdn.org/newsroom/press/save-the-children-in-partnership-with-the-mastercard-foundation-launches-youth-in-action-program> (Accessed May 15, 2015).

³⁰⁵ Save the Children, "Literacy Boost," http://www.savethechildren.org/site/c.8rKLIXMGIpI4E/b.7084483/k.8F5A/Literacy_Boost.htm (Accessed July 1, 2015).

³⁰⁶ MasterCard Foundation, "About."

Microfinance, Plan Canada, Microfinance Transparency, and Microfinance Opportunities.³⁰⁷

Through the above projects, the MasterCard Foundation seems like it is a textbook example of a corporation that funds a philanthropic foundation that is ‘truly doing-good.’ Yes, the Foundation is funding several development projects around the world that are witnessing successful outcomes, especially through their education based programs, however, there remains a need to further breakdown the third project area surrounding microfinancing because it is a very controversial approach. At its core, the MasterCard Corporation deploys payment innovations using information technology, accessible to individuals across the globe.³⁰⁸ The corporation’s goal is to nurture a cashless society on the African continent as they witness economic growth.³⁰⁹ While there is still a focus in the Foundation on financial inclusion through microfinancing, this topical consistency with its originating corporation does not devalue the organizational and structural separation between the MasterCard, the company, and the MasterCard Foundation. The concept of microfinancing was coined in 1976 with a research project in Bangladesh targeting poor communities by providing small micro loans to help citizens gain opportunities and self-employment through the Grameen bank.³¹⁰ Although currently debated as a development approach, since its inception, organizations, corporations, and NGOs have tried to use this model to alleviate poverty. This thesis is not arguing for

³⁰⁷ MasterCard Foundation, “About.”

³⁰⁸ Forbes Insights, “The New Paradigm: Volunteerism, Competence, Results,” Published 2011, http://www.forbes.com/forbesinsights/philanthropy_csr_2011/ (Accessed May, 2015): 14.

³⁰⁹ Kwame Som-Pimpong, “Behind the MasterCard Foundation’s Financial Work in Africa,” Published May 14, 2014 <http://www.insidephilanthropy.com/home/2014/5/9/behind-the-mastercard-foundations-financial-work-in-africa.html> (Accessed June 1, 2015)

³¹⁰ Sandrine Menguze et al., “A Micro Financing Framework for Rural Water and Sanitation provisioning in Sub-Saharan Africa,” *United Nations University*, Published 2014 <http://inweh.unu.edu/wp-content/uploads/2014/08/A-Microfinancing-Framework-Report.pdf> (Accessed June 1, 2015).

microfinancing to be at the center of corporate philanthropy, nor that is the answer to achieving economic growth and development. Like many approaches and strategies for development, there are some benefits, such as education, improved health and welfare, sustainability, and job creation, and there are also negative ramifications. However, the argument for this thesis does not focus on whether microfinancing is the solution to development or not, rather that the organization that employs the method is separate from its corporate parent.³¹¹

Although there are significant critiques surrounding microfinancing, the MasterCard Foundation nevertheless has kept it as a central pillar in its philanthropic work because it argues for its importance. As of 2014, the MasterCard Foundation entered a US\$22.7 million, five-year partnership with Opportunity International that focuses on providing financial services towards millions of citizens in rural communities in Tanzania, Ghana, Malawi, Uganda, and Rwanda.³¹² The main goal for the Foundation is to lift these rural communities out of poverty by providing them with financial services that will link them to MasterCard and the credit programs offered.³¹³ Reeta Roy explains that, Opportunity International is a non-profit microfinance organization that has proven itself an indispensable partner for the Foundation as they work together to provide microfinancing to developing communities.³¹⁴ Opportunity International's CEO Vicki Escarra expresses that "all aid is great, but microfinancing is empowerment," thus should

³¹¹ PlanCanada, "MicroFinance: A Little Goes A Long Way," <http://plancanada.ca/microfinance-benefits> (Accessed August 2015).

³¹² Som-Pimpong, "Behind the MasterCard Foundation's Financial Work in Africa."

³¹³ Ibid.

³¹⁴ Perna Sinha, "Opportunity International and The MasterCard Foundation Plan to Help 7M out of Poverty with \$22.7M Partnership," *Forbes*, <http://www.forbes.com/sites/prernasinha/2014/03/25/opportunity-international-and-the-mastercard-foundation-plan-to-help-7m-out-of-poverty-with-22-7m-partnership/> (Accessed June 1, 2015).

be at the centre of development.³¹⁵ This statement by Escarra and the partnership between Opportunity International and the MasterCard Foundation is an excellent example of how microfinancing is being accepted in the mainstream as a sustainable approach to aid and development. Jason Hickel argues, however, that this is only another example of a development ‘win-win’ where the Global North does not need to change in order to ‘help save the poor,’ but rather everyone triumphs if developing communities have access to microfinancing programs.³¹⁶

While the MasterCard Foundation supports the heavily critiqued microfinancing approach, it is not the only mechanism it uses to support the growth of financing inclusion in developing countries. The Foundation also directs funds and works with partner organizations to increase access to saving programs and banking services, with a focus on mobile banking.³¹⁷ For example, the Foundation partnered with the organization Freedom from Hunger, which just completed a four-year initiative that provided education to over 40,000 youth in Mali and Ecuador on saving mechanisms through formal and non-formal group-based savings accounts.³¹⁸ These programs are extremely important because over two billion citizens around the world do not have access to basic financial services.³¹⁹

There are three main reasons as to why the MasterCard Foundation holds financial services as a main pillar of its development work. First, the MasterCard Corporation is a financial organization that has become profitable by providing credit; therefore, it is only

³¹⁵ Sinha, “Opportunity International and The MasterCard Foundation Plan to Help 7M out of Poverty with \$22.7M Partnership.”

³¹⁶ Jason Hickel, “The Microfinance Delusion: Who Really Wins?” *The Guardian*, Published June, 2015, <http://www.theguardian.com/global-development-professionals-network/2015/jun/10/the-microfinance-delusion-who-really-wins> (Accessed July 1, 2015).

³¹⁷ Rahim Kanani, “The MasterCard Foundation: Access to Financial Services in Africa Can Transform Lives,” *Thomson Reuters Foundation*, Published September, 2014 <http://www.trust.org/item/20140916032514-aqys3/> (Accessed June 1, 2015).

³¹⁸ Kanani, “The MasterCard Foundation: Access to Financial Services in Africa Can Transform Lives.”

³¹⁹ Ibid.

natural that the Foundation draws somewhat from the same sector. However due to the Foundation's control over the decision making process for the allocation of project resources and funding, the Foundation is not limited to projects focused on financial inclusion. For example, the Foundation is currently partnered with ChildFund to train nurses and midwives and the International Youth Foundation to work with youth who are unemployed, as one of its main tenets is education.³²⁰ Second, the Foundation plants the seed and understanding of credit among citizens in developing countries, thus, becoming a known and trusted credit card company. Third, the work of the Foundation provides excellent branding for the corporation, allowing them to market the importance of credit in order to develop through the empowerment it offers. It is noteworthy that all three strategies are based partly on consumer consumption, as that is the key technique used for corporations to gain profits. However, what separates this third strategy from the first and second is that due to the foundation being separate from the corporation it does not fund projects based solely on the profits raised that year. Although the MasterCard Corporation is dependent on consumer consumption, the Foundation is only indirectly reliant on consumer activity because it is not buying or selling a product. The latter is, however, reliant on the stock price of MasterCard Worldwide, but the Foundation does not have a direct relationship with the consumer. For example, TOMS will only give as many shoes as they sell each year and Coke will only direct philanthropic capital if they have the means to do so based the profits they raised from consumer consumption. The MasterCard Foundation has the added advantage to fund projects regardless of the corporation's annual profits.

³²⁰ MasterCard Foundation, "Projects."

Although the MasterCard Foundation provides significant resources and funds toward development projects in a range of sectors, the Corporation still gains profitable benefits. As emphasized in the last chapter, it is important to question the origin of the capital that is being used to fund these development projects. As mentioned above, the majority of the capital that is used by the Foundation was gifted by the Corporation in 2006. MasterCard Corporation is a credit card company which became profitable by providing a financial service to individuals around the world. The MasterCard Corporation processes more than 23 billion transactions annually and earns revenue off each use.³²¹ Equally, 32 percent of its profits are derived from attaching fees to transactions, a tactic deployed even when consumers have no financial ability to repay the company.³²² The MasterCard Corporation benefits from citizens using its cards to purchase products or services, thereby not only perpetuating the financial centered global capitalist system but also encouraging consumers to use its card in the process. While credit provides access to capital, it can also lead citizens to get caught in a cycle of debt, which only furthers inequality. In essence, the corporation acts as a middleman to the capitalist notion of consumption, which inherently funds the MasterCard Foundation. This is another example of Ilan Kapoors notion of decaf capitalism, as MasterCard Worldwide is making its profits by promoting and providing access to debt, while the MasterCard Foundation's main focus is on financial inclusion. It is noteworthy that one of the main criticisms of the MasterCard Foundation is that it has the ability to create markets for the company. For example, when the Foundation provides access to financial

³²¹ MasterCard WorldWide, "Company," <http://www.mastercard.com/us/company/en/index.html> (Accessed June 1, 2015).

³²² Eric Volkman, "How Visa, MasterCard Earn Cash (And Why you Should Care)," *Daily Finance*, Published July 2014, <http://www.dailyfinance.com/2014/07/29/how-visa-mastercard-make-money/> (Accessed July 1, 2015).

inclusion in development communities, there is an implicit hope that these individuals will become consumers of the corporation's services. This allows MasterCard Worldwide to have preferential access to emergent markets and customer bases.

As shown above, the MasterCard Foundation does support microfinancing, which has been heavily criticized as a development approach; however, it still funds a number of other projects that focus on different forms of financial inclusion, education, and positive supported development or independent from the corporation's purpose. This chapter does not argue that all the work employed and funded by the MasterCard Foundation is completely and absolutely positive for development. It is shown, however, that if a corporation sets up a structurally separate philanthropic foundation, it has shifted the power dynamic between these actors, providing a better possible environment in today's economic system for the facilitation and nurture of a positive corporate impact in this area. What separates this foundation from others is that the two entities are distinct: although the company funds the Foundation, the latter is unable to sell a single share that it has in the MasterCard Corporation until April 2026.³²³ This facilitates the Foundation's ability to look long term with its projects and development model because it will not be able to capitalize on its shares until 2026. Further, it is common for a company to gain a significant amount of positive branding from donating capital, which in turn is only a very small fraction of a corporation's net profit. However, as of 2014 the MasterCard Foundation still owns 10.5 percent of the MasterCard Corporation due to the initial shares gifted, therefore emphasizing the financial capital available to the Foundation.³²⁴

³²³ Morris, "You'll Never Guess Who Owns More of MasterCard Than Anyone Else."

³²⁴ Ibid.

5.3 Conclusion

This third funding strategy, although having similar traits as the others previously discussed, primarily differs due to the power dynamic between a corporation and a foundation, which is evidenced by the distinctive decision making authority between MasterCard Foundation and MasterCard Corporation. A corporate funded foundation, akin to this third strategy, is often affiliated with the company by name, but remains a separate legal entity, as the governance and financial structure under this strategy is completely distinct from the corporation³²⁵ By using its name, however, it still provides benefits back to the corporation through positive branding. It is the power dynamic that makes this funding strategy an appealing approach to pursue development projects, more than the other two strategies presented in this thesis. This strategy places the control with the foundation, rather than the company, marking a shift in power that removes the ability for a corporation to intervene when a project is not ‘successful,’ by multiple measures, while giving a foundation the power to direct funds in areas that they find deeply relevant.

This funding strategy allows a corporation to direct a large amount of funds to a foundation that is normally (and hopefully) comprised of development professionals instead of using the resources within the firm itself. The foundation has the ability to direct these funds where they see fit, particularly towards long-term projects. Webb argues that there are significant benefits for a corporation in their creating a separate philanthropic foundation. She explains that this separation allows a foundation to thrive regardless of the direct financial stability of the corporation.³²⁶ Separate foundations have the ability to invest, or raise money on their own if the originating company did not have

³²⁵ Minnesota Council on Foundations, “What’s a Foundation or Grantmaker,”

³²⁶ Webb, “Corporate Profits and Social Responsibility,” 405.

a profitable year.³²⁷ In addition, there are significant tax benefits that come when a corporation earmarks a percentage of their profits to their arms-length philanthropic foundation, thereby providing a strong incentive for such action.³²⁸

MasterCard Worldwide is an example of a corporation that has designed, built, and funded a distinct philanthropic foundation, which in turn has partnered with the not-for-profit sector, universities, and international organizations who then engage in project implementation. Using the case study of the MasterCard Foundation, this chapter has provided evidence for the argument that the above third funding strategy allows corporations to fund beneficial development projects through an unattached foundation. Although there will always be positive branding and benefits that fall back on the company for participating in development projects, the power of decision making is placed in the hands of development experts which gives corporate philanthropy the ‘best chance’ at doing good for both themselves and for development recipients because it is not solely based on the ebbs and flows of a corporation and the decisions of its employees. This thesis is not arguing that this third funding strategy is exempt from the arguments against corporate philanthropy presented by Kapoor, Fridell and Konings, or Davergne and Lebaron. Instead, it is concretely proposing that we need to go beyond this rudimentary, binary debate and begin to dissect each possible funding and engagement strategy. This third strategy, The Philanthropic Foundation, is significantly different from the model followed by TOMS or Coca Cola, as since it is not solely focused on consumer consumption for positive international development participation, and because the Foundation is not married structurally and organizationally to its initiating company, this

³²⁷ Webb, “Corporate Profits and Social Responsibility,” 405.

³²⁸ *Ibid.*, 405.

thesis argues that it is a better strategy for corporations to follow when funding development projects given their own interests, the global economic system writ large, and the needs of their recipients.

Chapter 6: Conclusion

6.1 Concluding Summary

In 2013, Gautier and Pache have, after a careful review of the literature, established how the topic of funding and legal structure strategies continues to lack in research efforts. These strategies are essential as they have huge implications with regards to their enabling or disabling of positive and negative consequences that any philanthropic effort is bound to have on their beneficiaries, both individually and collectively. This thesis aims to fill this knowledge gap. It began with a recognition of corporate involvement in development and breaks it into a nexus of three primary funding strategies. It is through the analysis of these three separate strategies that it becomes clear to the reader that, indeed, each one facilitates different direct and indirect benefits to the corporation. Further, it was explicitly *not* argued that philanthropy supports only positive development outcomes nor was it argued that this private sector approach should not be part of any future aid equation. Instead, the paper sought to emphasize that corporations do exist in this sector, and will likely not be departing any time soon, despite critiques. There must be a balance of critiquing certain corporate philanthropic actions, and the objective understanding of possible leveraging of their material resources. This thesis uses a comparative analysis approach when examining the role of corporations in development in order to analyse which funding strategy a corporation would be better placed to follow with their involvement.

As seen in this thesis' literature review, there are two main debates when examining the role corporations play when participating in development. From the first perspective, philanthropy can be seen as a tool that allows corporations to fill a funding

gap in development projects, thereby pursuing positive change in developing countries.³²⁹

This standpoint calls for corporations to have a direct involvement in improving the livelihoods of communities around the world, especially areas that have a high corporate presence.³³⁰ Klaus Schwab, founder and executive chairman of the World Economic Forum, explains that as the power of states has “shrunk, the sphere of influence of business has widened” indicating that corporations are therefore being placed at the forefront of development, whether they or others want this to occur or not.³³¹ Schwab explains that it is in the best interest of a corporation and developing communities if a firm becomes a ‘global citizen,’ tasked with addressing global development issues.³³²

The counter perspective argues that when corporations participate in philanthropy aimed at development, they are only broaching symptoms of the financial centered capitalist structure that has fostered the firm to become extremely profitable, if they are creating any positive change at all.³³³ Kapoor explains that corporate philanthropy only provides Band-Aid solutions to more structurally complex issues. In addition, Kapoor reemphasizes that corporate philanthropy backwardly benefits the firm through branding and tax incentives, thereby using a small amount of good deeds as a tool to instill a positive image in public consciousness, while simultaneously masking their negative impacts on the world at large.³³⁴

Corporate philanthropy is fundamentally complex, a grey area of study without clear boundaries; indeed, it was regularly seen that philanthropy can be driven from a

³²⁹ Bishop and Green, *Philanthrocapitalism*.

³³⁰ Schwab, “Global Corporate Citizenship.”

³³¹ *Ibid.*, 109.

³³² *Ibid.*, 108.

³³³ Kapoor, *Celebrity Humanitarianism*, 44.

³³⁴ *Ibid.*, 44.

market need, or it was aimed at addressing problems that the corporation itself was responsible for creating. This paper's attempt at bundling and breaking down various funding strategies is a first, and much needed effort, at bringing light to this misrepresented, and often misinterpreted arena. As outlined in the literature review, authors often lump philanthropic efforts together under a single masthead when either arguing that it is fundamentally negative for development or a win-win for both parties. There are numerous possible, specific, and unique strategies that corporations are now using to fund international development projects and programming, and this thesis argues that when evaluating corporate philanthropy, these must be broken down and explored individually. A blanket approach to corporate funding strategies of international development will continue the black/white dichotomous argumentation that remains pervasive and endemic in academic literature; it is time that we start exploring the grey. The literature review draws attention to the research gaps surrounding governance and financial structures of corporate philanthropic efforts and organizations. As shown in this thesis through the differences seen in governance and financial structures, four main characteristics emerge that showcase the variances in and between each funding strategy: the role of the consumer; project flexibility; symptoms versus root causes of development issues; and, brand/market development.


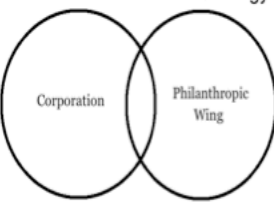
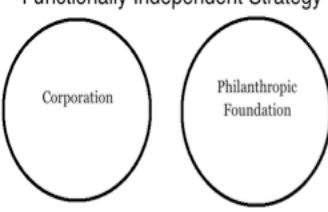
	Fully Dependent and Controlled Strategy	Distinct but Controlled Strategy	Functionally Independent Strategy
			
<i>Example</i>	TOMS	Coca Cola	MasterCard
<i>Governance</i>	Internal	Internal	External
<i>Financial Structure</i>	Internal	Internal	External
<i>Consumer Role</i>	Buying a product that is attached directly to a specific development project or goal.	Buying a firm's product/service, which allows it to direct a percent of associated profits to a chosen development project or goal.	The consumer's role is minimal and indirect. They are buying into a corporation, not its associated but independent foundation.
<i>Flexibility</i>	Low	High: It can employ projects through any of the four sub-methods	High: A foundation can choose where to direct the funds
<i>Symptoms vs Root Causes of Development Issues</i>	Only addressing symptoms (Often Short-Term Projects)	Ability to address both but primary focus is on short term wins	Ability to address both through short and long term projects
<i>Brand/Market Development</i>	They are building a market by creating a brand that appeals to peoples desires	They aim to increase their market size by enhancing their brand	Their market is everywhere, but also they are creating a brand and potentially a market through their philanthropy

Figure 1.4

As outlined, Chapter 3 reveals the first funding strategy is directly related to consumer consumption while the governance and financial structure are tied to a corporation. As shown this strategy has two methods; first, TOMS is a marriage of corporate objectives and cause-related marketing, while RED is represented as a tool, which can be leveraged by corporate actors, including philanthropic wings. Angela Eikenberry explains how one can now do good when walking through a department store purchasing already desired products now attached to a developmental cause. A chocolate bar that gives part of its profits to ‘promote peace,’ a bottle of shampoo that gives one dollar to a wildlife project, or a box of cereal that will support a child’s education; all of these are examples of this first funding strategy. A corporation has taken its product and branded it to a cause, which attracts a consumer and makes them feel good about buying

products. Under this strategy the development initiative is completely based upon consumer consumption; TOMS will only give as many shoes as are bought in Western markets. TOMS has also developed its corporate brand and market around a product that appeals to Western consumer. Thus, this strategy has a low level of flexibility, as TOMS' development initiative and the corporation itself are indivisibly linked, meaning that the company cannot alter their development agenda, as their business model is fundamentally based on a specific cause. Drawing from tenets of venture philanthropy, strategic philanthropy, and cause-related marketing, this strategy induces consumer consumption in order to fund projects that focus on the symptoms of development issues.³³⁵ As shown through the case study of TOMS and RED, there are three main problems and concerns with this strategy-type: first, it regularly limits funding to only those projects which are seductive and marketable; second, it provides the corporation with a direct profitable return as a consumer literally buys into doing good: and third, often corporations spend more money marketing philanthropic campaigns, using approaches such as RED, than on the projects themselves. Further, since this funding strategy is premised on consumption, and is controlled directly by the corporation itself, the very act of "buying development" can create more problems than the philanthropic projects are addressing.³³⁶

As shown in Chapter 4, the second examined funding strategy is when a corporation funds development projects through a philanthropic wing, while the governance and financial structure remains attached to the firm. Under this strategy a corporation is the primary funder of a project, therefore solidifying it and its board of directors at the centre of decision-making and project selection. Due to the complexity of

³³⁵ Angela Eikenberry, "The Hidden Costs of Cause Marketing."

³³⁶ Ibid.

this funding strategy, this paper subdivided it into four sub-methods of actualization: an external corporate interest based tool; funding projects; internalizing projects; and/or, working with a collaborator. As with the first strategy, there are three central problems with this approach that were detected when examining the case study of Coca Cola: first, when a corporation employs an in-house initiative, they often expect a positive outcome and will go through extreme measures to ensure a marketable result; second, since a company has high project flexibility it is able to direct funds towards any business areas that receive negative media attention, only providing surface level Band-Aid solutions to divert interest away; and third, this strategy is an example of Kapoor's decaf capitalism which allows a corporation to take resources with one hand while giving back only marginally with marketable philanthropic projects. Within this strategy the consumer is buying into a firm's product or service that then allows it to choose which philanthropic projects receive funding. This second funding strategy, as with the first, equally places the power and decision making in the hands of the corporation itself, allowing it an ample control, particularly as it is common for staff from the corporation to also sit on the board of directors of its philanthropic arm. In addition, this strategy explicitly links the philanthropic arm to material and human resources of the company, further negating the former's independence.

As shown in Chapter 5, the third funding strategy is when a corporation directs its philanthropic funds through a separate foundation. This philanthropic foundation may utilize the same name as the corporation; however, it is distinct from the corporation, thereby placing the governance and financial structure in the hands of a foundation's development experts and not the employees of the corporation. As with the other two

strategies, the primary concern with this funding strategy is that it practices Ilan Kapoor's notion of decaf capitalism, allowing a corporation to give philanthropic funds whilst it earns those same revenues in a less than ethical manner. In addition, MasterCard Worldwide has a market everywhere, but the Foundation is creating a brand and potential consumer market through their philanthropic projects. What separates this funding strategy from the previous two, however, is a distinct separation in decision making authority in organizational operations and projects outputs. This eliminates the pressure of marketable success demanded by corporations participating in development projects, and allows there to be a focus on long-term projects that can address larger developmental issues. In addition, the role of the consumer is minimal and indirect as they are buying into a corporation and not its associated but independent foundation. This strategy also has high flexibility when directing philanthropic capital, as the foundation or independent organization has the ability to direct funds towards any project, which can often be focused on the long term.

This thesis does not argue that corporate philanthropy on its own is the only way forward for development projects; however, it recognizes its increased support as an approach. With this recognition of the corporate role in development, there needs to be a parallel research focus on funding strategies that are the best way to leverage positive, effective results from firms involved in development projects. Philanthropy is about branding and creating this 'fantasy' surrounding a corporation, which is a profit making entity, as 'doing good' in the world of development. As shown, RED or any cause-related marketing strategy is a significantly different approach than a corporation setting up a foundation. There needs to be a distinction between the dramatically different strategies a

corporation can use to fund a project. This thesis suggests that of the three categorized funding strategies studied, the construction of a separate philanthropic foundation may be the best available solution in the interim, for decision making power is shifted away from the corporation. Indeed, as is shown with the MasterCard Foundation, with the right precursory circumstances, a foundation can be endowed with a distinct, sustainable operating revenue stream, which further differentiates it from its corporate creator. This is not to suggest that this funding strategy does not have significant benefits for a corporation, nor that the way a corporation earns its revenues are ethical, but for an enduring capitalist economy like the one presently dominating the global system, this appears to be the better available option to satisfy the objectives of “doing good”.

6.2 Ways Forward

This thesis calls for future policy makers, academics, development practitioners, and the general public to go beyond the current debate of philanthropy as a positive or negative approach to development and focus instead on more of a nuanced, hybridized, holistic envisioning of different corporate charitable funding strategies. When examining how corporations are involved in funding development projects through philanthropy, this thesis demonstrates that the third funding strategy provides benefits to all involved parties: private sector actors receive significant indirect benefits; philanthropic organizations are free to direct funding as they deem appropriate; and, recipients are partnering with development practitioners through foundations rather than corporations. Indeed, it is common for each side of the debate to agree that corporations are profit-driven. Some would say that this gives firms the capacity to fund development projects, while other say that companies are using profits to fund projects only to hide any negative

externalities. It is this debate that this thesis has attempted to break down, emphasizing the importance of different funding strategies for future corporate-philanthropic development projects.

Evidently, as is always the case with social science, there is still a need for further research, particularly regarding the effectiveness of each funding strategy on-the-ground in developing countries. This work will need to build off the three funding strategies previously outlined by both breaking them down further into their nuanced, constituent components, as was done with the second proposed strategy type, and examining the outcomes of specific corporate philanthropic projects. In addition, there is still a need for future research to be conducted concerning risk management. More specifically, an area for future research could be the development of a metric that accesses and measures the risk of each strategy, which would further the evaluation of effectiveness. Further, another area of future research that could be conducted surrounds corporations and individuals that participate in anonymous philanthropic giving and the implications that surround this approach. Also, this thesis briefly touched upon the concept of deception and false advertising that some corporations utilize. This would be an interesting starting point for future research and how it relates to corporate philanthropy. Due to the size and scope of these areas of future study, this thesis can only provide a base of knowledge for future research, a direction of proposed insight generation, and a suggestion for which area to begin.

6.3 Policy Recommendations

The research and funding strategies presented in this thesis can and should be used as an informational base for future research and policy surrounding corporate

philanthropy. There is currently a need for governments and policy makers to recognize that corporations will structure their philanthropic efforts in a manner that is best for them while also conforming to the regulations and policies in place. Presently there is a lack of conversation surrounding philanthropy and policy. Corporations are participating in philanthropy because they receive significant, tangible benefits from associated branding and large tax breaks. Corporations do not generally participate in philanthropy for the altruistic 'social good,' but civic and public expectations toward such are beginning to blossom and become popularized, thereby pushing firms to become more ethical and socially involved. As such, due to their increase in development practice, there is a significant need for more regulation into how corporations are directing their philanthropic capital. As shown throughout this thesis the role of the state is being weakened in regards to international development aid, and actors like corporations are filling these gaps. Thus, this research should be used as a base for governments to reevaluate the incentives that corporations are receiving for their philanthropic work. Therefore, there is a need for further research surrounding the regulating framework offered by the host country; a policy recommendation is for states to provide supplementary financial and regulatory benefits for corporations to follow Strategy Three, rather than the other two. If such incentives existed, the outcome could be a more regularized transfer of power from corporations to foundations, thereby avoiding the pervasive issue of development projects being implemented only to appeal to private sector brands. When examining all three strategies, the author is under no illusion that each is beneficial, in some way, to corporate actors. Strategy Three begins to broach this problem by maintaining those benefits whilst transferring decision-making authority

away to another, independent body.

6.4 Final Thoughts

The conversation on the inclusion of corporations in international development is happening now, for they have already begun to step into the project funding gap left behind by economically depressed government and international organizations. Philanthropy has evolved as a mechanism for the corporate actor to direct its profits towards development projects around the world whilst gaining significant indirect and direct financial benefits, as is the case for most other traditional donor involvement in this field. Philanthropy is not a new concept, dating back to merchant families in the sixteenth century and pre-American civil war in 1861 with the actions of wealthy landlords, but it has since evolved and transformed.³³⁷ Today, philanthropy and development have become inextricably linked to the corporate world, becoming one of the best marketing tactics. This ‘new’ form of philanthropy has evolved from tradition donor and state funded institutions to private actors who do not have to report their actions or account to anyone specifically.

As shown in this thesis, philanthropy is a complex phenomenon that cannot be divided into a simplified two-stream argument, whereby it is seen as either *the way* forward or inherently and completely detrimental to development. It has evolved to be a more complicated and nuanced concept that can be approached differently by various stakeholders. Philanthropic projects are normally taken to provide either direct or indirect benefits to the company through increasing its positive image, but this does not necessarily negate benefits to recipients on the ground.³³⁸ This thesis has proposed that

³³⁷ Dauvergne and Lebaron, *Protest Inc*, 40.

³³⁸ Gautier and Pache, “Research on Corporate Philanthropy,” 575.

within the current, unwavering global neoliberal economic structure, the better scenario for corporation participation in development achieving positive all-party results is through the third funding strategy: the use of a separate philanthropic foundation.

No argument can be comprehensively sustained if proposing that corporations alone will solve the world's development inequalities through philanthropy. However, as Fredric Jameson explains, "it is easier to imagine the end of the world than to imagine the end of capitalism."³³⁹ As such, we may have to learn to operate within the economic environment given, using corporate engagement to subtly change their internal characteristics, rather than hope for the actualization of a call to societal revolution. As such this thesis has addressed and provided a possible funding strategy that is conducive to the world before us today, not that of an imagined tomorrow.

³³⁹ Dauvergne and Lebaron, *Protest Inc.*; Fredric Jameson, "Future City," *New Left Review* Published June 2003 <http://newleftreview.org/II/21/fredric-jameson-future-city> (Accessed July 1, 2015).

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