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## Philanthropy in post-communist settings: strategic action or manifestation of social responsibility?

### Santrauka

*Filantropija kaip pilietinis reiškinys naujai formuojasi Lietuvoje, kaip ir kitose pokomunistinės Europos šalyse, ir pasižymi modernia kokybe, grindžiama ne tik krikščioniška morale, altruizmu, bet taip pat ir korporatyviniais, strateginiais, verslo, viešosios politikos principais. Straipsnyje nagrinėjami moderniosios filantropijos raiškos ypatumai pokomunistinėje erdvėje, analizuojami filantropinio proceso kaip socialinės atsakomybės ir korporatyvaus strateginio veiksmo dichotomijos aspektai. Analizė grindžiama empirinių, statistinių duomenų interpretacijomis bei teorinėmis įžvalgomis.*

### Introduction

The collapse of communism system in Eastern Europe has raised some new questions about the virtues of corporate capitalism and corporate social responsibility<sup>1</sup>. Philanthropy is one of them, appearing in its new qualities as a particular form of social responsibility in particular circumstances. Modern philanthropy has some expressions of corporative social responsibility, strategic action and at the same time still keeping the continuity with its origins of social responsibility based just on Christian morality. L. Salamon emphasizes the necessity of philanthropy's academic study, noticing that "corporative philanthropy is an area which has little visibility in public opinion and which has found little interest in academic community, though during the last years significant changes begun to occur"<sup>2</sup>. In nowadays coming back to post-communist society, philanthropy acquires new dimensions of business and public policy and is more often and often considered as a special form of corporative social responsibility.

The modern qualities of philanthropy include *corporative (strategic) philanthropy* and *socially orientated philanthropy*. *Corporative philanthropy* generates social and economic benefit and is based on strategic action, while *socially orientated philanthropy* is oriented

namely to social benefit.

The question that remains is: what is this pure modern philanthropy concept - strategic action based on relational social responsibility or social responsibility for social dysfunction in society? According to public polls, 41% of respondents in Lithuania indicated that philanthropy is a help to socially excluded people and 88% of respondents among businessmen (and even 93% among NGO representatives) indicated that in Lithuania there are social groups who will not survive without donations.<sup>3</sup>

On the basis of this two-fold approach the *hypothesis* could be raised.

Under the typical circumstances of modernization corporative philanthropy is dominating, while in the post-communist reality, philanthropy as phenomenon includes some peripheral strategic aspects, but is more oriented to the relief of social dysfunction.

Modern philanthropy conception includes at least two different understandings of corporative philanthropic action: (1) more sociological, considering corporative action as corporate social responsibility, conducted by both private and voluntary sectors; (2) more economic, taking corporative philanthropy as a strategic action that benefit both the recipient organization and the donor's interests.

However as many authors notice the classification is purely formal and does not describe actual behavior as some distinctions drawn may occur difficult to apply with precision, because these categories usually in reality overlap.<sup>4</sup> In this paper we will try to summarize how deep these two theoretical perceptions reflect in reality among philanthropic agents having different positions in philanthropic action.

In the interpretations of corporate philanthropic action there are also mentioned the concepts of *relational social responsibility* that refers to strategic (business) philanthropy and *social activism* that refers to social oriented philanthropy.<sup>5</sup> Relational social responsibility is meant as attempts to promote the welfare of groups who are affected by the conduct of business activities. "Social activism" (sometimes this concept is used as synonym of pure social responsibility) refers to the action that is putatively beneficial to the society or particular interests groups, which falls outside scope of companies ordinary commercial operations. These two types of social responsibility involve different perception of its function and philanthropy role in society.

For the analytical purposes, there could be distinguished three types of agents in the philanthropic process: donors, intermediaries and recipients. The characteristic feature of donors is that they *earn* funds and that may be the explanation why their philanthropic action is often orientated not only to social, but to economic benefit as well. By some authors they are called "corporate citizens", who seek to reconcile their companies' profit-making with the society's welfare. J.E. Parkinson notices, "large businesses are keen to stress their credentials as good corporate citizens."<sup>6</sup>

The intermediaries do not *earn*, as donors do, but *raise* funds and that may be the reason why their philanthropic action is orientated namely to social, not to economic benefit. The philanthropic action is their main activity, while the donors participate peripherally.

The recipients represent the various social groups' disadvantages, assistance needs and problems. They are solving and implementing

the issues related to community development, social service provision and etc. The philanthropic action is very important to their activity.

The theoretical analysis is illustrated by the results of qualitative research on the philanthropic action that has been carried in Lithuania in the spring of 2003\*. Ten in-depth semi-structured interviews, every approx. 1 hour long, with the representatives of each group were carried out. The interview included 4 main topics: perception of concept "philanthropy" and experience in philanthropic action, political and value orientations, biographical aspects and other question that help to interpret the received information.

This paper presents the theoretical analysis of philanthropy, as an expression of social responsibility in all its dimensions (starting with corporate, strategic and finishing by socially active level), illustrating the analysis with summarized empirical and statistical data.

### **Corporative philanthropy and social responsibility**

In nowadays philanthropy appears as a "component of the larger domain of corporate social responsibility".<sup>7</sup> The strategic aspects of philanthropy are considered as business philanthropy and corporate social responsibility. In this sense, corporate social responsibility refers to the obligations of the business to society, or more specifically, the firm's stakeholders,<sup>8</sup> meaning that corporate giving is linked with the firm's economic objectives<sup>9</sup>. Strategic philanthropy, according to the literature, is becoming the state art in corporate contribution management.<sup>10</sup> This tendency could be seen also in Lithuania, as one of the post-communist Europe country. Referring to the qualitative research that was mentioned above, the donors were the respondent group that put the strongest emphasis on the strategic aspects of philanthropy.

Organizational literature suggests that corporative philanthropy should be integrated into the overall strategic planning of the companies<sup>11</sup>

that in philanthropic process appear as donors. This strategic philanthropic action among donors rather often is interpreted as some kind of social responsibility. The Director of Public Relations Department of Telecommunication Company having Scandinavian capital declared: "...without business companies not so much organizations will be going well... We ought to help..." Though The Head of their Public Relations Department admits that philanthropic action there is influenced by some economic expectations and such confirmation reveals the features of strategic philanthropy. This type of interpreting social responsibility might be influenced by Scandinavian perception of business relation towards society. Vice President of the leading Finnish IT company "Nokia" says: "We are making corporate responsibility an integral part of decision-making in all parts of our business". However this corporate social responsibility in Scandinavian tradition is not considered as pure philanthropy: "...philanthropy could be practiced without social responsibility; otherwise you couldn't call it that. But still... While Nokia has some small philanthropic activities (e.g. disaster relief), almost all of our corporate responsibility is strategic i.e. related to the responsibilities (both leveraging opportunities as well as minimizing negative effects) of our business. In fact, I would argue that these days it is rather difficult for a company to practice philanthropy, as such, because you a company invariably always sees some "return" in the form of goodwill, reputation, etc" (Nokia director for Corporate Social responsibility). Meanwhile, The Director of Public Relations Department of Lithuanian Telecommunication Company sees philanthropy to be more close to strategic action: "At first place it is *support* and only then *Maecenas*." Though the director admitted that giving support to some cultural events they always try to be the biggest sponsor. It was also mentioned that shareholders ask the reports for the charitable activity, so it indicates that the Scandinavian understanding of corporate social responsibility in front of shareholders is also important here.

Another donor representative was also leading telecommunication company, established by an outstanding American - Lithuanian. The interview was conducted with the director of the Support Group, who saw philanthropy more related to social responsibility than to strategic action: "philanthropy is giving and not requiring in return" and that "support has many levels in Lithuania". In her opinion there are very few philanthropic actions in Lithuania which were not strategic one. The representative also mentioned some critical point, that sometimes sponsorship is confused by the concept of "philanthropy" relating it to some activities of different level, for example, commercial projects.

The strong parallel between philanthropy and social responsibility could be noticed in this company policy as talking about the beginning of their philanthropic activity, the representative of this company emphasized: "... at the moment we received the profit, we started our philanthropic action." However this tendency could also be interpreted in the terms of corporate social responsibility. J. Parkinson talking about American philanthropic tradition and American experience over the last 60 years noticed: "corporate social policy is the result of an ideology of business power that emphasizes social responsibility..."<sup>12</sup> They try "... not to give the fish, but to give a rod and to teach the fishing" [director of Support group from telecommunication company]. The director explicitly explained how the company arranges various events for children and young people teaching them and giving opportunities to get the experience in using information technologies. On the other hand, there is a long tradition of companies making donations for educational purposes and, more generally raising company's profile among high-quality potential employees and customers. J. Parkinson notices, that although there is a clear difference between corporate social responsibility stemming from the desire to do good (the "normative case") and corporate social responsibility that reflects an enlightened self-interest (the "business case"), certain engagement in phi-

lanthropy might reflect and very often reflects a mixture of these motivations.<sup>13</sup> This tendency could be indicated by director's remark that it is very important to be the main sponsor and to keep the continuity of the sponsorship as in some festivals they meet their clients and partners and "it is very nice that they see our input to the culture." Thus, in spite of all traditional social responsibility values declared at the beginning of the interview, the interview was finished by purely strategic interpretation.

J. Parkinson talking about social responsibility introduces the interpretation of relational responsibility as caring about the recipients who has influence to company business strategy and its' profit and requiring the recognition of constraint on the pursuit of existing goal.

Similar tendency of expressing social responsibility in relating it to already existing goals, could be noticed from the interview with another donor. The director of the one industrial company in Kaunas mentioned that they support usually those projects which are close to the field of their activity, as developing the field of their activity eventually they develop their business. The challenging is that they did not identify philanthropy in their action as she described "philanthropy as one men wish to help another one". Thus philanthropy and strategic action are conceived as separate conceptions.

The single shareholder and the owner of this company has made a remark, that "philanthropy is the activity of rich foreign people not knowing where to put their money ...". This indicates the weak understanding of social responsibility (that seems to be typical to post-soviet society), interpreting business only as a pure strategy, neglecting its corporate aspects, nor feeling solidarity with the society.

The interviews with the donors indicate that some of them declare corporate social responsibility as a distinct form of philanthropy, separating it from strategic action. Though on the other hand, it is obvious that their action is more or less connected to strategic purposes and to either prudent or other regarding constraints. This also could indicate the weakness

of modern philanthropy tradition.

Some authors emphasize, that corporate social responsibility is undoubtedly the most important theme in the field of business, but it is necessary to look at it more carefully. "Although many contributions have been made to this debate, the underlying issue is relatively simple: justifying that corporate purposes are limited to such purposes as are a function of the economic system."<sup>14</sup> As it could be indicated from the interviews donors interpret corporative social responsibility as a combination of social and economic objectives, though usually in the first place declare traditional forms of philanthropy as a most valuable form.

### **Socially oriented philanthropy and corporative social responsibility**

Socially oriented philanthropy is thought to be referring to the corporative social responsibility putting stronger emphasis on its altruistic aspects and philosophical meaning. J. Parkinson, speaking about the classification of corporate social responsibility, as opposite to relative social responsibility distinguishes social activism that could be considered as a synonym to social responsibility, and connotes company action to alleviate social problems that exist independently of the way the company conducts its business, and also corporate support for societal activities which are unrelated to companies ordinary commercial operations. However even in this action there could be noticed some principles of corporativism, trying to combine social responsibility with strategic activity. J. Parkinson notices that in describing company as engaging in social activism, it is not necessarily means the departure from constraint based responsibility and long-run profit maximization.<sup>15</sup>

During the interviews of qualitative research emerged the tendency that intermediaries and recipients are more favourable to the conception of socially oriented philanthropy, then donors, whose understanding of philanthropy as corporate social responsibility was discussed



above. It might be assumed that this tendency could be explained by the fact, that donors earn funds, while other two groups of philanthropic actors just raise and use them.

For the same reason, the intermediaries were supposed to be rather sceptical about strategic action in philanthropy and social responsibility. However, the representative of one Kaunas NGO referred to philanthropy as “a willingness to share with others the knowledge, skills and information”, and she emphasized that “I do not approve the traditional charity”. The challenging fact is that this respondent came to nongovernmental sector from business, motivating that this sector can take more social responsibility for the society.

Another intermediary, the leader of Vilnius foundation of former Conservative Government ministers' spouses, demonstrated more direct attitude towards traditional social responsibility. She described philanthropy as “a way of thinking, an inclination to share with other the good you have”. It was also mentioned that all concepts related to philanthropy, such as sponsor, maecenas, charity, donation, promotion, support and etc., are acceptable. Started her philanthropic activity as wife of Prime minister (in some sense it could be interpreted as strategic action as well) she successfully continues the philanthropic action even after the end of her husband cadence, that indicates her traditional perception and feeling of social responsibility. “Me and other spouses of the ministers of that government felt the pleasure to help others and how much we are needed, so we decided not to stop by the governmental changes”(the leader of Vilnius foundation of former Government ministers spouses).

Her husband, the parliamentarian, leader of Conservative party, former prime-minister and active actor of public life mentioned that in philanthropic action he has no certain priorities, i.e., does not feel certain social responsibility for concrete social field: “I don't feel obligations to some objects, I just support without having concrete philosophy on choosing recipient” (leader of Conservative party, former

prime-minister and active actor of public life). According to him, “Philanthropy is thought to be support, giving to others”, though gave rather favourable approach to successful philanthropic projects where philanthropy is harmonized with business objectives. Though he also mentioned that due to weak philanthropic tradition not every intermediary has enough qualification to raise funds: “sometimes the name of foundation gives no information about its activity... then the donor is not sure about its objectives...” (leader of Conservative party, former prime-minister and active actor of public life). Considering the peculiarities of post-communist settings, it was mentioned that social responsibility should include not only material aspects, but also spreading of knowledge, qualification, skills.

Another intermediary from Kaunas academic community was very directly favourable to the social responsibility and rather critique to any strategic aspect in this field: “Philanthropy is loving people, as this is what this word means in Latin, and I understand this concept as charitable support without seeking for appreciation.” She mentioned that “giving is some kind of self purification and donor should feel uncomfortable in case his donation is praised”. This attitude reflected traditional understanding of philanthropy as unselfish action, taking responsibility for the social dysfunction relief in society. However rather often such idealistic ideas are noticed to be so called “lip service”, when respondents declare the “right public approach” while in reality using other behaviour.

Another type of philanthropic actors, recipients appeared to be the group that have no special critique or priorities either to socially oriented philanthropy or strategic action. Some respondents in the interviews have even mentioned that charitable giving may hurt the recipients, emphasize their material inferiority.

The artist and director of the Kaunas theatre as very important factor in supporting art indicated such element of strategic philanthropy as the *reciprocal benefit*. On the other hand J. Parkinson mentioned that corporate

support for arts has risen considerably during 1980s, as art sponsorship is a way of reaching members of high-income groups and hence has great value as a targeted advertising medium<sup>16</sup>. According to public poll in Lithuania, 54 % of respondents talking about philanthropic initiative indicated the priority to culture and art.<sup>17</sup> The same intermediary declared that philanthropy is “loving people“ and “this love induces people for donations”. Notwithstanding this, it was mentioned that “in nowadays very little is done from love”. This notion indicates that recipients are less idealistic and philosophical looking at social oriented philanthropy as some intermediaries do and more often think about corporate social responsibility. The interview revealed that the theatre is not only a recipient, but a donor as well, giving the voluntary concerts, performances to children, old people, and disabled people. The director of the theatre, time from time emphasized that he is acting in philanthropic process not for others, but for himself as he gets some pleasure from this action. As a most outstanding example was mentioned the volunteer performances in Chernobyl for the people who were working there after the catastrophe. The representative gave a challenging thought that supporting theatre, sponsors supports not the theatre that gets money selling tickets, but spectators, as then the ticket prices are lower. This indirect support to the spectators could be understood as pure social responsibility for society.

The paradigm of social oriented philanthropy is based on Christian morality. The weakness of such type of social responsibility could be also indicated by statistical data saying, that 62% of respondents will never support religion communities<sup>18</sup>. However the relevance of Catholic Church in philanthropic action was emphasized by one of the intermediaries as a source of pure social responsibility. Another respondent representing recipient was the Polish nun living by mission in Lithuania for 8 years. The representative mentioned that at present the main funds for their activity are received from their Congregation located in Vatican; however some Lithuanian donors are

also giving some funds. Some local government institutions were also mentioned as donors, but not business companies. As it could be anticipated, the nun talking about philanthropy conception, mentioned that “philanthropy is help to others and this concrete help is namely material, but, as a nun, I should mentioned, that the support of the soul is also very important”. She also mentioned that in Lithuanian society there are a lot of people who need attention, solidarity and social responsibility for their welfare.

Thus, most intermediaries and recipient see philanthropy as a component of corporative social responsibility, putting emphasis on cooperation between public, private and nongovernmental sectors. J. Parkinson uses the notion of profit sacrificing social responsibility referring to the voluntary sacrificing of profit in the belief that such action will have consequences superior to those flowing from a policy of pure profit maximization. This describes behaviour as socially responsible, reflecting an increased sensitivity to the social issues more generally. Profit sacrificing social responsibility constitutes and effort by companies to address social issues that arise independently of the way the company conducts its‘ business and thus represents an extension of corporate activity into essentially non-commercial spheres.<sup>19</sup>

However some other recipients were looking at philanthropy in more strategic way, interpreting corporative philanthropy as a possibility to combine social and economic benefit. For example, the representative of the Zoo administrative department was talking about philanthropic action as an “instrument for making image, for example, some companies support namely those animals that are on their symbol or are sign of power, intelligence”. The perception of philanthropy described by the representative was distinguished as a concrete action, not a value orientation. On the other hand, according to the statistics 49% of respondents businessmen mentioned that will never support a projects that are not connected with the activity of their company. Although corporate social responsibility is often motivated

by personal concern, it is not „altruism” or „good works”. On the contrary, it is often called „enlightened self-interest” because it has well documented benefits for business.”<sup>20</sup>

It is clear that the organizational and motivational factors which permitted and encouraged nineteenth-century philanthropy are unlikely to be reproduced in the modern society context.

### Conclusion remarks

The specialty of philanthropy in post-communist settings lies in the weakness of philanthropic and civic traditions that occurred due to the gap during communist period. This tendency puts ambiguity to the perception of what is “pure” and “appropriate” form of philanthropic action. On the other hand, during the last century all over the world philanthropic perception has acquired new qualities and thus returning back to post-communist society already has new understanding.

The concept of modern philanthropy that combines traditional social responsibility and strategic action indicates that these two dimensions are very close to one another and, as the scientific literature explains, this tendency is typical not only to post-communist countries. The attempt in this paper to analyze these two dimensions separately confirmed, that these relatively distinct concepts in reality are rather convolved.

Corporate social responsibility is undoubtedly very important component of modern business, though in Lithuania it is still considered not so valuable and „pure” as traditional social responsibility based on Christian morality. So called „lip service” declaring „positive attitudes” was rather popular among respondents of qualitative research. The empirical analysis also revealed interesting fact, that most

philanthropic actors identified present Lithuanian social situation as favourable to socially oriented philanthropy and mostly requiring social relief, however notwithstanding this, corporate philanthropy is the rather popular type of philanthropy among philanthropic actors, especially donors.

Empirical data indicate that most intermediaries and recipient see philanthropy as a component of corporative social responsibility, putting emphasis on cooperation between public, private and nongovernmental sectors, while donors look at corporative action as manner of linking social and economic objectives. Some aspects of relational social responsibility could be also identified in the philanthropic action, though during the interviews this tendency was not emphasized because of still rather sceptical attitude to strategic philanthropy considering it not the “pure form of philanthropy”.

Thus the hypothesis, that in the post-communist reality, philanthropy as phenomenon includes some peripheral strategic aspects, but is more oriented to the relief of social dysfunction has verified to some extent, as though could be noticed a lot of manifestations of strategic and corporative philanthropic action, rather often the perception that socially oriented philanthropy is more valuable and “right” form of social responsibility is dominating. This tendency is popular not only among philanthropic actors (especially among intermediaries), but in society as well.

Every discussion what is modern philanthropy in post-communist settings: strategic action or manifestation of social responsibility, is rich by various interpretations about the “purity” of philanthropic action, however the question still remains rather open and requires further research on these aspects of philanthropic action.

## Summary

Together with the national Independence and the free market re-establishment, philanthropic tradition are returning back to the Lithuanian society. However philanthropy already appears in its modern qualities based not only on pure Christian morality, but also having some expressions of corporative social responsibility, strategic action. This paper is

dwelling on the analysis of philanthropic phenomenon in post-communist settings revealing the dichotomy between philanthropy as social responsibility and its corporative strategic aspects. The analysis is based on interpretation of empirical and statistical data, as well as theoretical insights.

## Endnotes

<sup>1</sup> Parkinson J. E. 1993. Corporate Power and Responsibility. Oxford: Clarendon Press, p. 3.

<sup>2</sup> Salamon L., Anheier H. 1997. Defining the nonprofit sector. Manchester University Press, p. 337.

<sup>3</sup> Lietuvos verslo įmonių ir NVO apklausa apie filantropiją: kiekybinio tyrimo ataskaita (Lithuanian business companies and NGO survey on philanthropy issues: report of quantitative research) // [http://lark.osf.lt/OSF/filantropija/filantropija\\_verslas.pdf](http://lark.osf.lt/OSF/filantropija/filantropija_verslas.pdf)

<sup>4</sup> Parkinson J. E. 1993. Corporate Power and Responsibility. Oxford: Clarendon Press, p.266

<sup>5</sup> Ibid, p.267.

<sup>6</sup> Ibid, p.265.

\* On the basis of the results of this survey the more developed quantitative research is going to be conducted.

<sup>7</sup> Buchholtz et al. 1999. Corporate philanthropy // Business and Society June, p. 168.

<sup>8</sup> Parkinson J. E. 1993. Corporate Power and Responsibility. Oxford: Clarendon Press, p. 265.

<sup>9</sup> Marx. J. D. 1999. Corporate Philanthropy: what is the

strategy // Nonprofit and Voluntary Sector Quarterly, vol. 28, no. 2, p.185.

<sup>10</sup> Ibid, p. 186.

<sup>11</sup> Ibid, p. 186.

<sup>12</sup> Parkinson J. E. 1993. Corporate Power and Responsibility. Oxford: Clarendon Press, p. 300.

<sup>13</sup> Smith C. 2003. Corporate social responsibility: whether of how? // California Management review 45, No. 4 Summer, p. 53.

<sup>14</sup> Lozano J. M. 2000. Ethics and Organizations. Dordrecht: Kluwer Academic publishers, p.115.

<sup>15</sup> Parkinson J. E. 1993. Corporate Power and Responsibility. Oxford: Clarendon Press, p. 290.

<sup>16</sup> Ibid, p. 293.

<sup>17</sup> Filantropija Lietuvoje (Philanthropy in Lithuania), 2003 // Atviros Lietuvos fondas, Vilnius, p.25.

<sup>18</sup> Ibid, p. 26.

<sup>19</sup> Parkinson J. E. 1993. Corporate Power and Responsibility. Oxford: Clarendon Press, p.287.

<sup>20</sup> Ibid, p.296.

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