

CORPORATE PHILANTHROPY

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ABSTRACT

Corporate philanthropy is the act of corporations donating a portion of their profits or resources to various non-profit organizations. The function of corporate giving can be handled directly by the corporation or through a company foundation. The most common resource that corporations donate is cash; however, corporations also donate the use of their corporate facilities; property (such as used computers, buildings or land); gifts of products, services and equipment; advertising support; executive loans; and many corporations have employee volunteer groups that donate their time. Corporations give to a wide variety of nonprofit organizations, which include education, the arts, human services, health, the environment, public benefit and many others.

KEYWORDS: Corporate Philanthropy, charity, donations.

LITERATURE REVIEW

The concept of corporate giving dates to the turn of the century and the rise of the modern corporation. In its early decades, corporate philanthropy was uneven in practice, limited in scope, and subject to legal and populist dispute. Since World War II, however, the debate has shifted from whether or not to give to how much to give, and most major corporations now engage in regularized giving programs. (Useem, 1987, p.340) It was accepted for the wealthy to spend their money on philanthropy in the late 19th and early 20th centuries; however, it was harder for corporate philanthropy to legitimize itself (Himmelstein, 1997, p.15). Most felt that corporations had an obligation to maximize profits for their shareholders and that was their only duty; some economists still feel this way. Roosevelt's 1936 tax act was the first time that corporations were permitted to deduct charitable contributions up to 5% of pretax profit from their federal income taxes. Prior to 1936, donations typically had to be a legitimate business expense; there had to be a direct benefit to the business or the employees. After 1936, more leeway was given to corporate giving; however, giving was still tied to direct benefit, and there was still a great deal of ambiguity as to what qualified. Another reform that intended to encourage corporate giving came in 1981 when the amount of charitable contributions that corporations could deduct increased from 5% to 10%.

One of the most obvious and most difficult questions concerning corporate giving is why they give. For many "corporate giving raised the distinct issue of whether or not the managers of corporations may donate money not belonging to them personally but to shareholders" (Himmelstein, 1997, p.16). Another theory as to why corporations give is that it is their civic duty to do so. Per James Joseph "Some businesspeople argue that businesses are corporate citizens, with rights and duties of citizenship. Some even argue that the corporate charter makes corporations trustees of the public good" (Shannon, 1991, p.9). This puts forth the idea that corporations should be doing more than simply making a profit: that they should be good corporate citizens.

Findings

The main idea of the corporate charity of this period was that it was "from the heart", and does not focus on getting any specific preferences. Many experts were of the opinion that if the charitable activities of the company make a profit or other benefit, such activities should not be considered a charitable activity, and should be viewed solely as a commercial business. But in the 80's there are the first attempts to

combine social views on corporate philanthropy, in particular, its relation to the overall objectives of the company. Currently, companies are beginning treated charity as "enlightened self-interest."

Research Limitations / Implications

One of the first manifestations of social responsibility, rooted in the deep past, can be regarded as charity, which being a form of compensation for the shortcomings of redistribution of public goods. Business community understands of social responsibility as a society to compensate for the uneven distribution of income. Many entrepreneurs agree that even if a high income is the result of efforts of individuals, they do not care to be "share" with the public. Originally charity was partial, since decisions on the provision of charity care was taken in the main owners of the businesses. Currently, however, a corporate charity is growing, implementing and managing on behalf of the companies. One of the first known cases of official legitimization of corporate philanthropy in the United States took place in 1954.

Prior to that time, such activities are carried out by separate individuals, not companies, which due to several reasons, such as - the legal limit. During the 60's and 70's of the twentieth century, corporate philanthropy has been recognized as a separate component of companies. During this period, it was thought that the best for business organizations is to provide charitable contributions, directing them to improve the overall social development. This involved donations to universities, local hospitals, cultural institutions and the support of other community service affairs. It was at this time began to actively create the first corporate funds companies. The key point, which is the basis of this concept is the belief that the charity will not digging a "quick" profits, and long-term benefits: consider and direct and indirect consequences of any actions for a long period, is also expected impact solutions to important partners and their expected reaction. The second postulate: a healthy company can not survive in a sick society, and companies that use part of their resources to solve social problems, ensure its survival in the future. There are several stages in the development of understanding of the purpose and form of charity.

One-time donation "on demand" (also called haphazard or sporadic charity), or targeted support. This is a donation of a socially disadvantaged or sponsorship in the social significance of the event. Time assistance is spontaneous and brings the "noisy" result. Keep in mind that the effect is not long-lived, as is spontaneous and sporadic. Depends on the nature of the event or of the beneficiaries and of the functions of the agency. This is the beginning of almost all companies, but with the professionalism in matters of charity shifted to other, more systemic forms. However, direct support to those in need and assistance to victims of emergencies remain in the arsenal of many charities and are used in cases where other means are not applicable. Philanthropy share (also called Socio significant shares). Activities or projects initiated by the company or person is among the founders of the event. In contrast to the one-time donation charity event involves an idea, for which it is carried out, for example, to help participants WWII Victory Day, greening the city, etc. There may be significantly expanded range of recipients of assistance and the range of participants. K it can join and other interested parties that can complement it with their capabilities.

As for the other partners, in almost many program partners include government agencies, or they are held in their support Software charity. The charity program is different from charity, or one-time donations, above all, the presence of management tools: typically, in any program must be defined goals and objectives, expected to score the result (partly in order to correlate these results with the goals, in part - to assess cost-effectiveness). The software is designed to structure charitable donations and sponsorship contributions, give charity organization mission, a clear understanding of the management and employees of the company. The transition from single actions to programs extends the planning horizon of charitable activities, as well as to deal with more serious problems that require time and money. Charity program can be in various forms, including the issuance of grants, activities or events, organization of training and exchanges, research, new techniques, etc. If there are a number of programs the company may decide to set up their own charitable foundation, will be shared professional commercial and professional charity.

4. Infrastructure charity. With the development of various social organizations, charity found its "infrastructure": there were various foundations and non-profit organizations (HKO), specializing in specific topics and have their own programs that can finance a business, or offering your services as a charity administrator (typically and grant) program of companies. Thus, companies were able to give their charitable programs for outsourcing, and if the partner is correct, to achieve a more professional and meaningful results. Today 70% of Russian companies participate in charitable activities (in the United States in this field only 2% of companies involved and in Europe - 4%), 87% of corporations declare their intention to develop a charitable direction [1].

In Russian practice charities often defined as any fact allocation or transfer of goods, non-commercial activities of the organization. This includes helping the seniors and businesses, and financial assistance, please outsiders, and free services to their employees. In this role, charity functions as compensation for vulnerable people, and not a tool to influence the future of the state of society. In developed countries, as a rule, there is a good corporate planning charity, set priorities, evaluation criteria. The Corporation in accordance with the priorities of the data, transfer money to profit organizations or specialized charities. This is where charity is not only an act of satisfying one's feelings, wishes, in the form of ownership of the "good cause" and "selfish" investment.

Thus, charitable activity falls within the definition of social investment, which (according to Western economic concepts) is defined as investment for profit or gain power and prestige. In other words, charity is one way of increasing the reputational capital. Charity is different from other types of activity that it is a mutually beneficial partnership. In fact, it is a joint project or program that meets the mutual interests. Public interest entities are clear - they receive funds for realization of his ideas, and list the help of a powerful company, its name and reputation. Companies are involved in similar projects for the following reasons. First, it provides additional opportunities in advertising their activities, products or services.

From this point of view, charity is part of an integrated marketing communications, one of the marketing strategies. The second reason for the company's participation in social programs is just the creation of a favorable image in the eyes of the general public. The experience of foreign companies shows that the functioning of the organization with a clearly defined social charity to allow the company to obtain the following results: improving the company's image in the local and national levels, coverage in the media, improving relationships with investors, the association with high quality and prestigious company, attracting new customers, attracting new employees, more sales, strengthening our position in the market, improving the in-house relationships, and so on. [2]

Among the benefits of charity can be identified as:

- Charity is a tool focused on compassion and care, which by itself implies generosity of such activities;
- Charity bears no apparent commercial painting (or rather hides it well);
- Charity companies are usually non-profit and socially important areas;
- Charity particularly flexible in the approach to the individual goals and needs of different target audiences.

The practice of using the tool shows that by selecting the scope and object of charity, makes a significant step in the formation of a positive image. However, to further develop the success must also take a lot of effort, including overcome the prejudice of society, distorted understanding the real meaning of charity, fulfillment of moral obligations to the community - not only the positive effects of such activities of companies. Big Russian companies support many projects that are not directly related to the principal of their activities. Many of them do not have a clearly articulated policy of support for non-core projects. As a result, charity involves with all other blends, including external and social costs. For comparison, in

developed countries, the adoption rate of the company's spending on charity does not exceed 1-2% of the profits. In this case, these costs do fall on corporate philanthropy - in the framework of the adopted in the company policy and priorities. Russian companies also bear the excessive burden of social costs, inherited or received "a gift" from the local and federal authorities.

A 2006 study conducted by the Association of Managers, found that among the main incentives of business participation in social initiatives, most large employers surveyed, highlights: the administrative burden of the authorities (73%) or good will of top management (55%). Among the most common types of cost are marked: capital investment in repairs boarding schools, children's homes, clubs, roads, and the construction of churches of various denominations, support sports teams and sporting events, the purchase of sports equipment, support for festivals, competitions, clubs, exhibitions, theaters, direct assistance to the individuals, gifts to veterans and orphans. [3]

Just five to seven years ago corporate charity was not on the agenda of any Russian company or representative office of foreign firms operating in Russia. It is clear why: the last decade of the last century in corporate history was occupied mostly tough section of the market, privatization, asset accumulation, incorporation, mergers and acquisitions. Talk about the charity at this time once again did not have (and reasons associated with haphazard distribution of funds were dubious) - the company was just not up to it. Practice shows that the issue of charity companies or corporate philanthropy "embedded" in corporate governance at a later stage of development and consolidation. Be perfectly accurate, they are addressed in the last turn - is once up and running all the other business processes, there is a clear development strategy there is a reasonable expectation of profit, confidence in the future. But with all this we must pay tribute anonymous donors of the corporate world, "artisanal" charity (one-time, in no way ordered stock) existed for all that difficult for the Russian economy and society of time, starting from the moment of the first private enterprises, not even designed to as legal entities.

Surprising is the fact that the culture of philanthropy in Russia existed before the formation of the USSR. Patronage involved many merchants and traders, putting their money into the arts, culture and education. With the advent of the Soviet charity was forgotten and reborn only in the nineties of the last century, when it started to be felt blowing west, where among successful people was fixed trend transfer funds to a worthy cause to increase its credibility. But this was not the only reason, because in the U.S., the most favorable conditions for charity: The companies do not pay tax on the amount of donations, and earlier does allow lower income tax. And, apparently, under the influence of the American experience in Russia in the mid-nineties, began to develop a way of saving money in the guise of civic impulse. In 1995, Russia adopted the Federal Law № 135 "On Charity and Charitable Organizations", which referred to the ability of organizations, businesses, and citizens to provide financial assistance to those in need and to receive benefits for these actions.

The law was far imperfect, and this by many educated people in matters of taxation. [4]. In the early 2000s, the government began to deal with this state of affairs as a result of the abolition of many benefits for donors. If, before a period of directing up to 5 percent of their income to charity, deduct as a whole, this legislation establishes that the donation firms and organizations can only occur at the expense of net profit. The Ministry of Finance has decided that the companies providing charitable activities through the provision of free services or delivery of goods are exempt from VAT, but payments to the state treasury is not reduced. In order to avoid the transfer of funds through bogus charities against government charity was introduced double taxation. According to the Tax Code of the Russian Federation donation recipients have to pay income tax, but people can avoid it if they get the grant in the field of education, science, culture and art of one of the seventy-two organizations included in the list, which was mentioned earlier.

World experience shows that full protection from financial fraud and abuse, including in the field of charity, does not exist. But now, in Russia it is necessary to overcome the negative tone that has emerged

as an echo precisely the period. And despite public alertness, Russian companies, common sense and pragmatic, yet currently developing its charitable programs.

Over the last five to seven years, corporate philanthropy discourse has undergone significant qualitative changes. First of all, the concept of "charity" was clearly separate from the "sponsorship" that we should not take for granted the statute. Then, from 2001-2003, the Russian practice were "imported" the concept of "corporate social responsibility (KCO)», «Corporate Citizenship", "Code of Ethics" ("code of good practice") that define a common framework for business and charities as part of the overall business strategy. To business in a new important questions arose: should the company public anything other than taxes paid, in what is voluntary participation in charity, how to charity programs for maximum effect, what amounts should be calculated, what the role of the state in promoting the development of charity, to which it should spend corporate funds - and many other questions to fill charity new content.

The modern practice of CSR in Russia as a whole retains its charitable focus, but it becomes more strategic in terms of own business interests of companies. So, first of all, to consider the interests of companies in the policy retention, expansion into new markets and enhance reputation, the underlying trend is reflected in the use of the skills and expertise of the staff, along with the traditional forms of charity. Company programs are increasingly used as a tool to establish relations with the authorities, suppliers and consumers. A growing trend links between the characteristics of individual industries and social investment (for example, aimed at reducing greenhouse gas emissions).

Today large companies in Russia, social and welfare programs are a significant part of their corporate strategy, as no company can be isolated from the society and work only for the benefit of its shareholders. Active in the community, to create the conditions for its prosperity, the company thus creates the conditions for its own long-term success. Charity work is one of the major social policies for many companies. The charitable activities of Russian companies is the need to overcome many obstacles, firstly, the low reputation and a bad image of charitable organizations, and secondly, the indifferent attitude of the state and inflexible to charitable organizations, and thirdly, the high taxes that must be paid not only donor, but the recipient. [5] The main difference relating to corporate philanthropy, between Russia and the West is in the area of taxation. In Russia, the company donates to various social projects, there are no benefits, ie All programs are paid out of net profits. However, the lack of tax benefits, apparently, is not the main problem. The big problem is the lack of infrastructure charity, professional partners among non-profit organizations in the region. Another problem of Russian charity is a very low level of activity of individuals. [6] The reason for this in a rather low awareness of the citizens of the state and the media about the charitable activities of the company, a negative image of the charity as a whole, the loss of traditions, spiritual emptiness and indifference of the considerable mass of the population. All of this should be attributed to the relatively low efficiency of services of public relations.

In modern Russia, charitable organizations do not trust since many of them, especially in the early to mid-1990s. Became actively created and actually be used for tax evasion, and money to the Foundation, often spent inappropriately. Today the situation has changed for the better, but public opinion has not changed. But while the company - philanthropists are trying to reverse the attitude of the society the state does not promote it. Pressure, it is often local and federal authorities in the company in order to get them to donate to certain things and the organization has been around for a long time. Social responsibility of business - an attribute developed corporate structure that is interested in the strict implementation of the requirements and standards of tax, labor, environmental law, to maintain a flexible and balanced relations between staff and owners, investing in human capital and the reproduction of having clear development strategy. Therefore really ensure social responsibility that can only business that external pressure to invest in social programs, in fact, are not charities, and seems to individual researchers - theoreticians and practitioners - in business. Thus, charity characterizes qualitatively higher stage in the development of businesses. In the U.S., most of the funds from corporations to social projects come from non-profit

organizations. These funds come mainly from companies directly (about 75% of cases) or through a legally independent company funds created by, for example, large companies for the selection of recipients and allocation of resources.

Nonprofit sector, "digest" coming charity has enormous size. The contribution of the nonprofit sector in the U.S. economy in 1997 was the third largest after the retail and wholesale trade to almost \$ 350 billion, far outpacing the banking sector and high technology. From 1993 to 1998, the non-profit sector grew by 2% faster than the entire U.S. economy, and given the fact that since the mid 90's public support of many social benefits was reduced by 18%, the role of this sector will continue to grow. Charitable activity of Russian business today is more of a "return" character - in most cases the initiative in the request for assistance comes from individuals and organizations in need. Enterprising charities business practices occur less often. Now obvious serious infrastructure deficiencies in charitable activities associated with not regulated communications business and NGOs, their mutual incomprehension.

And, often misunderstanding between businesses and NGOs is manifested not in the course of charity, but at the stage of establishing relationships or altogether composed correspondence (51% of businesses today do not have the experience of interaction with NGOs). This once again proves the relevance of this problem of the institutional environment in charitable activities as the establishment of a developed system of communication and information exchange between business and NGOs. Today many companies do not see the ways in which it would be possible effectively with NGOs and NPOs see "odd man out" unnecessary link in the chain of interactions between benefactor and beneficiary. In addition, the commercial sector, there are concerns of control and misuse of funds that go to a charitable assistance through NGO channels. In turn, many NGOs have a low charitable activity and unresponsive business, distrust of commercial companies to NGOs.

Established to date in Russia practice of charity business structures are though very active, but sporadic, haphazard, "point" character, lack of planning and are not aimed at a comprehensive solution of the problems. Therefore, estimates business representatives, NGOs and beneficiaries themselves effective charity although positive, but very reserved. The problems addressed by the charity today are solved, the general view in the main only partially. Among the reasons for the effectiveness of the charity business, there is objective and insurmountable circumstances. These include, above all, the lack of a significant part of the business structures of funds to carry out charitable activities, the lack of tradition, experience, and professionalism in providing the necessary support for the charity.

At the same time, there are a number of barriers related to institutional and infrastructural features in the organization of charity. These include, first, the imperfection relevant legal framework, lack of legal provisions in the laws of the federal and regional levels. The existing taxation "eats" a significant portion of the funds going to the charity, which was emphasized in the survey not only the representatives of business organizations and NGOs, but especially the beneficiaries. Considerably complicate the implementation of charity as excessive bureaucracy, the complexity of the procedures and their financial clearance. According to various studies, the Corporation sent mainly in three sectors: Social programs, arts and culture, science and education. Most often the objects of charitable support from commercial companies are organizations and agencies working with poorly protected sections of the population. This is, first of all: children's homes and shelters; nursing homes, public organization of veterans and the disabled, youth and children's groups, medical institutions, which have a lack of funding from the local budget and other sources of resources. Decision to provide charitable assistance to commercial companies is accepted in most cases on the basis of citizens and organizations in need of support themselves from businesses charity initiative came at a substantially lower.

Treatment by the NCB is the basis for the provision of charity care companies only in 5% of cases. The most popular and convenient for businesses form of charity is the direct financial assistance.

Those companies that are engaged in trade and procurement activities (markets, recreation, shopping, etc.), using natural forms of support for those in need, such as food. Such forms of charity, as the provision of professional services, vehicles, facilities, information support used commercial organizations is rare, because, first, these services are not in demand, and secondly, it is more convenient to businesses to support directly the money. Representatives of the Russian business community, identify "problem field" region, where their charitable activities would be relevant and effective, especially with focus on vulnerable groups. And such layers are not only groups traditionally identified as vulnerable (disabled, orphans), but also young families, students, etc.

Company with extensive experience in the implementation of charitable activities generally match the direction of the support of the company's strategy and take into account the most problematic area for themselves. Thus, the tobacco companies are supporting sporting events, car companies - environmental programs, companies in the field of high technologies - advanced research and development. As a rule, a charitable activity is concentrated in the area where the business is located. This is entirely consistent with the concept of the public about the right strategy of social activity: 59% of U.S. consumers believe that businesses should decide

social problems in the region, and 26% believe that, nationally, only 9% - in the international. An important trend in recent years has been the formalization of the mechanisms for selecting recipients. From more recent common situation where the decision on the choice made by the head of the object support on the basis of personal preferences, companies are moving to transparent selection criteria for support. Through the creation of independent corporate actors involved in charity work and is working on a clear regulation, sensation disappears bias, released-time leaders. In the emerging corporate philanthropy in Russia the company is certainly not act spontaneously. On the one hand, they take into account the interests of society, on the other - trying to benefit itself. If a business is considering charity as part of their strategy in the concept of KCO, it will identify and support the most effective projects.

The continued success of companies in the field of corporate philanthropy, strengthen public confidence in charitable projects by the business, of which its chief can: creating an enabling environment, including investment for entrepreneurs, the growth of transparency and information openness, support for culture of charity on the part of the media; It should be noted that most of the companies involved in charitable projects mainstream units, and most often it is for them a kind of social work. This fact leads to the cold attitude of managers to the process of implementation of such projects - and, as a rule, their rather low efficiency. Even when it comes to quite a logical part in the realization of local, charitable projects, departments and public relations, here there are problems. These units are usually trying to solve, the project is also the best of their functional tasks, forgetting the main thing - to continuously interact with the media. As a result of the charity is not in mass media because they do not see this as a significant cause of information. And to ensure that the media saw this importance, public relations department to identify and publicly declare: a clearly stated goal of charity; successful and completed projects, which would be the hallmark of the philanthropist, clear and transparent reporting to specific actions and figures.

CONCLUSION

Over the long history of corporate philanthropy and the phenomenon itself, and attitudes on the part of stakeholders and society, and the forms in which it is carried out, many times have changed. Let's start with the fact that the charity is generally not directly related to the main economic activity of the company. This explains the contradictory attitude to charity on the part of the business community. Focused exclusively on the profit of the company believe that business should not spend money on non-core (and also difficult to analyze in terms of the final result) activity. Others take the position "to live in society and be free from society can not." Corporate responsibility attempted to provide answers to the

basic questions: What is this, and how it fits into the business goals. However, given that no one has by figures show a beneficial effect on the charity business in this part of the argument is not very convincing. Some progress in the economic justification of corporate philanthropy exists due to the appearance of social investment ideas. Russian companies prefer to help especially the elderly, orphans, the disabled, single mothers, large families, and support programs against drug abuse and AIDS, environmental projects, the organization of care for seriously ill, programs for the rehabilitation and education of young people. [7] Some companies provide to help, not money, have their services. [8]

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