Original Article

Corporate giving to education during economic downturns: General trends and the difficulty of prediction

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ABSTRACT With the economic downturn starting in December 2007 (National Bureau of Economic Research, 2009), K-12 school systems, educational non-profits and institutions of higher education have found themselves questioning the degree to which they can rely on outside philanthropic giving to support their activities. Although some research has examined the role of individual giving to education during economic recessions (Goldthorpe, 1941; Drezner, 2005; Council for Aid to Education, 2009), less is known about the trends in corporate philanthropy to education during economic downturns. Using data from *Giving USA*, *The Chronicle of Philanthropy Annual Survey of Corporate Data* and the *Committee Encouraging Corporate Philanthropy's Corporate Giving Standard*, this article examines general trends in corporate giving over the past 40 years and utilizes industry- and corporation-level financial data to illustrate the nuances which make it difficult to make precise predictions of corporate support for education during the current economic crisis.

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INTRODUCTION

With the current economic crisis continuing into 2009, many are asking

whether and how the crisis will impact philanthropic giving to education. Total giving to education in 2008, from all giving sources, totaled US\$40.94 billion (Fissinger, 2009; Giving USA Foundation, 2009). A recent article in *Education Week*

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addressed the unpredictable nature of philanthropic giving to education citing that 'notable education contributors such as the Eli and Edythe Broad Foundation and the Jack Kent Cooke Foundation – expect to decrease giving levels this year ... [while the] Bill and Melinda Gates Foundation – the largest single donor to K-12 education – had said its overall payout of grants would climb by 10 percent in 2009' (Robelen, 2009, p. 1).

While some research has examined the role of individual giving to education during economic recessions (Goldthorpe, 1941; Drezner, 2005; Council for Aid to Education, 2009) one unknown component in the revenue portfolio for many development officers, program staff, researchers and teachers is that of corporations. According to *Giving USA 2009*,¹ corporate giving was down 8 percent in 2008 and accounted for 5 percent of total charitable giving; corporate giving totaled an investment of \$14.5 billion in charitable activities (Fissinger, 2009; Giving USA Foundation, 2009). The *2007 Corporate Giving Standard* surveyed 155 US-based companies, 69 of which were Fortune 100 companies. The median dollar amount of giving from each company participating in the survey was \$23.53 million, or approximately \$650 per employee (Coady, 2008). Twenty-six percent of total corporate giving was directed to education initiatives (Coady, 2008).

'Economic cycles contain times of prosperity and downturns [and] better understanding recessions' relationship to philanthropy will help institutions better plan in advance for their fundraising campaigns' (Drezner, 2005, p. 302). With some US corporations posting record losses in profits and others

ceasing to exist as viable companies, the reliability on external funding from corporations for education seems not only unstable – but unpredictable.

While some work has been done to track general trends in corporate giving, this article explores potential giving patterns from corporate donors to education. By examining general corporate giving trends over the past 40 years, isolating subsets of likely donors by industry, and examining industry profit performance in the years leading up and during the crisis, this article suggests that aggregate patterns from previous economic downturns may be applicable but are only able to tell part of the corporate giving story during times of recession. In fact, corporate giving may be a much more nuanced phenomena based on the profit performance and giving philosophy of individual corporations within a larger, uncertain economy.

US CORPORATE ENGAGEMENT IN PHILANTHROPY

The role of corporate involvement in philanthropic activities has been at the crux of a theoretical debate since the US corporation's early inception. In the early years of the US corporation, Andrew Carnegie saw philanthropy as an activity reserved only for those few individuals fortunate enough to benefit from corporate activities; he argued that

the laws of accumulation should be left free; the laws of distribution left free. Individualism will continue, but the millionaire will be the trustee for the poor, intrusted for a season with a great part

of the increased wealth of the community, but administering it for the community far better that it could or would have been done for itself. (Carnegie, 1889/2008, p. 19)

The concept that giving was primarily the job of wealthy philanthropists – and not of corporations – was the *status quo* in American philanthropy before World War I; and even after the war, most corporations failed to ‘take advantage of the federal government’s deduction provision, made law in 1935’ (Gasman and Drezner, 2008, p. 80). Direct corporate giving did not become a substantial player in American philanthropy until the post-World War II era (Gasman and Drezner, 2008). Yet still, critics at the neoliberal end of the philosophical spectrum continued to speak out against its practice. Milton Friedman stated that corporations should not engage in philanthropy because the responsibility of business is to increase profits and, if the corporation makes charitable contributions, individual shareholders are prevented from deciding how to dispose of her or her funds (Friedman, 1962, pp. 133–135). This notion was the premise of a New Jersey Supreme Court decision in 1953 in which several shareholders of the A.P. Smith Manufacturing Company questioned the legality of the company’s donation to Princeton University; the court held that ‘corporations were permitted to make contributions where the activity being promoted by the gift promoted the goodwill of the business of the corporation’ (Supreme Court of New Jersey, 1953; Gasman and Drezner, 2008).

Moving along the theoretical perspective, many CEOs find themselves caught between calls for corporate social responsibility and investors looking for the maximization of short-term profits (Porter and Kramer, 2003, p. 27). And over the decades, some argue that US corporate giving programs have developed into specialized operations within big business to take advantage of tax incentives, enlist public favor and prove the continuing creativity of the American corporation (Eaton, 1949; Curti, 1958/2008). Some typical forms of giving include cash from the corporation, cash from a corporate operating foundation, in-kind donations of products or services, employee volunteerism and employee matching programs. A variety of corporate giving programs have developed from disparate theoretical approaches; some developed out of the desire to be altruistic, corporate ‘citizens’ and others to maximize bottom line profits through sponsorship advertising, cause marketing and improving the competitive context of the communities in which corporations operate (Porter and Kramer, 2003). New models of corporate giving are evolving which incorporate ‘doing good’ into existing business models. The movement of ‘philanthrocapitalism’ is attempting to applying business concepts to social issues (Bishop, 2008) and former President Bill Clinton’s movement to encourage corporate giving is rooted in the philosophy that ‘doing good’ is actually ‘good business’ (Clinton, 2009).

One thing remains clear: regardless of the theoretical underpinnings for a corporation’s engagement in

Figure 1: R=period of economic contraction (recession).

Source: Giving USA Foundation (2008).

philanthropy, the corporate sector has significantly increased its giving over the past several decades, becoming a major player in philanthropy. And, as with other donors, the economic downturn can significantly impact the availability of funding from corporations to support education activities in the K-12, non-profit and higher education arenas.

OVERALL US CORPORATE GIVING TRENDS DURING ECONOMIC DOWNTURNS: A HISTORICAL PERSPECTIVE

Corporate giving² over the past 40 years has tripled; hovering around \$5 billion in the late 1960s and early 1970s when *Giving USA* started to record corporate giving practices, the corporate sector gave an all-time record of \$17.61 billion in 2005 (Giving USA Foundation, 2008, p. 211). Despite the overall growth in philanthropic giving, short-term, year-to-year giving patterns have

adjusted during times of economic downturn. Figure 1 illustrates corporate giving between 1967 and 2007.

The recession during the early 1970s was indeed distinct from the current economic recession. The recession in the 1970s followed several years of inflation caused by 'the failure of successive American administrations to finance the war in Vietnam out of current revenue; ... the exceptional increase in raw material prices because a large number of countries achieved unusually high growth rates at the same time; and ... a series of bad harvests (Healey, 1979, p. 219). This inflation was then met with a global increase in oil prices by Organization of the Petroleum Exporting Countries (OPEC) shocked by the subsequent OPEC oil prices. This was later followed by currency depreciation and additional inflation (Healey, 1979). The cause of the current recession was an instance whereby the economy 'had

become dependent on a form of bank-issued money that was not federally guaranteed and that was not as stable as it appeared' (Rauch, 2009, p. 17). This money, backed by subprime mortgages, tailed in value when housing prices declined. The failure of Lehman Brothers indicated no one was safe; the money supply crashed and the economy began to suffocate' (Rauch, 2009, p. 17).

Despite these differences, there are some similarities. In the early 1970s, the US economy peaked in November 1973; the peak was followed by a 17-month-economic contraction, hitting an economic trough in March 1975 (National Bureau of Economic Research, 2009). In 1974, several key economic indicators mirror those of 2008. First, both 1974 and 2008 are characterized by 12 consecutive months of economic contraction following an economic peak in the final quarter of the previous year (National Bureau of Economic Research, 2009). In 1974, the Standard and Poor's 500 Index (S&P) was down approximately one-third, corporate profits were down between 18 percent, and the unemployment rate was 7.2 percent (Fissinger, 2009). In 2008, the S&P was down approximately one-third, corporate profits were down 16 percent and the unemployment rate was 7.2 percent (Giving USA Foundation, 2008).

While individual corporations may be affected differently given the cause of the recession, the similarities in the economic conditions makes it possible to use the early 1970s recession as a rough historical proxy for the current economic recession as macro-economic trends are consistent, creating an uncertain

Table 1: Total corporate giving: 1970s recession (in billions of inflation-adjusted 2007 dollars)

<i>Year</i>	<i>Corporate giving</i>
1971	\$4.35
1972	\$4.81
1973	\$4.95
1974	\$4.63
1975	\$4.43
1976	\$4.85
1977	\$5.27

Source: Giving USA Foundation (2008).

business environment and a wide scale decline in corporate profits. To mitigate any sector-specific concerns given the causes of the recession in relationship to education, specific industry trends will be addressed later in this article.

Table 1 illustrates corporate giving during the years leading up to and following the recession of the 1970s.

During the years of US economic expansion – 1971–1973 – corporate giving increased approximately 12 percent, reaching a peak of \$4.95 billion in 1973. In 1974, the year marked by continuous economic contraction, corporate giving decreased by approximately 6.5 percent. And during following year, marked only by 3 months of economic contraction, corporate giving declined once again, reaching a low of \$4.43 billion. This is a more than 10 percent decrease from the 1973 pre-recession year of corporate giving. And while corporate giving then climbed in 1976 and 1977, it did not surpass the pre-recession giving total of \$4.95 billion until 1977 – over 2 years after the recession.

Comparing the 1970s recession trends to the current economic recession, the US economy peaked in

Table 2: Total corporate giving: Late 2000s recession (in billions of inflation-adjusted 2007 dollars)

<i>Year</i>	<i>Corporate giving</i>
2004	\$12.47
2005	\$17.61
2006	\$15.75
2007	\$15.69
2008	Down 8% from previous year ^a

^aFrom Fissinger (2009).

Source: Giving USA Foundation (2008).

December 2007, and similar to 1974, the entire year of 2008 and continuing into 2009 was marked by economic contraction. The recession is currently in month 19 at the time of this research (National Bureau of Economic Research, 2009).

As illustrated in Table 2, in the lead up to the recession beginning in late 2007, corporate giving trends were unlike those seen in the years preceding the 1974 recession. A corporate giving spike occurred in 2005. In 2005, atypical natural disasters caused many corporations to give beyond the initial philanthropy budgets, partially explaining the giving peak (Coady, 2006, p. 18). Nearly three quarters of companies participating in the *Corporate Giving Standard* annual survey reported that giving levels surpassed philanthropy budgets to respond to the tsunami in Southeast Asia and the Gulf Coast hurricanes (Coady, 2006). A direct incentive for corporate contributions to those affected by Hurricane Katrina was the Katrina Emergency Tax Relief Act of 2005, which suspended the corporate charitable giving limit, allowing corporations to deduct

up to 100 percent of taxable income in disaster contributions (Katrina Emergency Tax Relief Act of 2005, 2005). Setting aside the peak in 2005 as an extreme observation owing to external events, giving levels stabilized at approximately \$15.7 billion in 2006 and 2007. Based on a simple comparison to the 1970s recession, if the decline were to have ended in early 2009, we could predict 2009 giving to be approximately 10 percent less than that of the 2007 giving total. We would then expect a slight bounce back in 2010, while corporate giving during that year would still fall short of the 2007 total by several percent. But, in the absence of an economic trough in early 2009 and no documented economic expansions as of 1 July 2009 by the National Bureau of Economic Research, it is possible to suggest the decline in corporate giving could be more severe than that in the 1970s. Giving levels lower than those of 2007 could be anticipated lasting into 2011 or beyond.

Another aggregate data point to examine during these two periods of time is corporate giving as a percentage of pre-tax profits. This is a measure of a corporation's capacity to give in any given year by examining giving relative to profits. Figure 2 illustrates trends in corporate giving as a percent of pre-tax profits from 1967–2007.

The overall trend of corporate giving as a percentage of pre-tax profits is slightly erratic. Averaging 1.16 percent over the past 40 years, the percentage of pre-tax profit giving by corporations hit a low of 0.7 percent in the mid-to-late 1970s and spiked during the mid-1980s and again in 2000 (Giving USA Foundation,

Figure 2: R=period of economic contraction (recession).
Source: Giving USA Foundation (2008).

2008, p. 218). Corporate giving as a percentage of pre-tax profit reached an all-time maximum of 2 percent in 1986, increasing from 1.1 percent in 1981. This period of time, from 1981 to 1986, was marked by two pieces of important legislation. The Economic Recovery Tax Act of 1981 increased the maximum deduction for charitable donations from corporations from 5 to 10 percent of net income. While theoretically incentivizing more corporate giving, the increased deduction was speculated to have only a small effect owing to the few number of companies actually reaching these large giving levels (Clotfelter, 1985). The peak in 1986 was marked by the second 'Reagan Tax Cut', which reduced the corporate tax rate from 46 to 34 percent (Tax Reform Act of 1986, 1986; Drezner, 2005). This tax rate reduction may have incentivized more giving in 1986, allowing corporations with operating foundations to make charitable donations when it was advantageous to do so from a profit maximization perspective (Auten *et al*, 1992).

During this period, the tax legislation's impact on corporate giving was confounded by distinct economic conditions. The economy was undergoing two smaller recession periods and suffered from periods of contraction during the first 7 months of 1980 and again from July 1981 until November 1982 (National Bureau of Economic Research, 2009). Lower corporate profit levels during a period of steadily increasing corporate giving levels would create a spike in the percentage of pre-tax revenue dedicated to charitable activities; as corporate giving levels continued to increase in the 1990s, so did corporate profits, causing a lower percentage of pre-tax giving when compared to the spike during the 1980s.

Table 3 illustrates the percentage of pre-tax profit dedicated to charitable activities in the early 1970s. During the 1970s recession, the percentage of pre-tax profits dedicated to charitable activities hovered just below 1 percent, reaching a historical minimum of 0.7 percent in 1974 and remaining at

Table 3: Total corporate giving: 1970s recession (in % of pre-tax profits)

Year	Corporate giving (%)
1971	0.9
1972	0.9
1973	0.8
1974	0.7
1975	0.8
1976	0.7
1977	0.7

Source: Giving USA Foundation (2008).

approximately this same level for the years following the recession. This continued until the giving spike in the early 1980s, possibly attributed to the first of the two Reagan Tax Cuts (Economic Recovery Tax Act of 1981, 1981; Drezner, 2005).

Table 4 illustrates the percentage of pre-tax profit dedicated to charitable activities leading up to the current recession. In the years leading up to the current recession, the percentage of pre-tax profits dedicated to charitable activities hovered just below 1 percent, with the exception of 2005. As mentioned above, this may be attributable to the *ad hoc* corporate giving response to the 2005 natural disasters. Given the trends of the 1970s, without any external stimulus to incentivize corporate giving, it is likely that the percentage of pre-tax giving will remain at current levels into the foreseeable future.

EXAMINING CORPORATE GIVING TRENDS TO EDUCATION IN THE WAKE OF THE 2007 RECESSION

While aggregate giving trends can illustrate a history of philanthropic giving from corporations over the past 40 years, after making comparisons

Table 4: Total corporate giving: Late 2000s recession (in % of pre-tax profits)

Year	Corporate giving (%)
2004	0.9
2005	1.2
2006	0.8
2007	0.8

Source: Giving USA Foundation (2008).

between the current recession and a period of similar economic behavior in the 1970s, many questions remain. Specifically, how will corporate giving to education be impacted by the current recession? Data from the Center on Philanthropy, Foundation Center, Conference Board and US Department of the Treasury indicated that corporate giving comprised 7 percent of the total giving to education in 2005 (Giving USA Foundation, 2008, p. 108). And according to the 2007 *Corporate Giving Standard* annual survey of 155 companies, including 69 of Fortune Magazine's largest American public companies, three corporate sectors lead in giving to education: information technology, consumer discretionary and energy. (Coady, 2008). On average, companies in the information technology industry directed 32 percent of total giving to higher education and companies in the consumer discretionary industry directed 22 percent of total giving to K-12 education (Coady, 2008). These two sectors devoted the largest percentage of their giving portfolio to these two education sectors. Companies in the energy industry made the highest *dollar* contribution to both higher education and K-12 education in 2007.

Table 5: Companies participating in the 2008 corporate giving standard survey

<i>Information technology</i>	<i>Energy</i>	<i>Consumer discretionary</i>
<i>Publically traded</i>		
Accenture, Ltd	Chevron Corporation	ArvinMeritor Inc
Adobe Systems Inc	Conoco Philips	Best Buy Co Inc
Agilent Technologies, Inc	Constellation Energy Group, Inc	DirectTV Inc
Cisco	Exxon Mobil Corporation	Gap Inc
Dell Inc	Halliburton	Hasbro
Hewlett Packard	Hess Corporation	The Home Depot
Company	Sunoco Inc	JC Penney Company Inc
IBM Corporation	Valero Energy Inc	Johnson Controls Inc
Intel Corporation		Macy's Inc
Microsoft		Mattel, Inc
Corporation		The McGraw Hill Companies
Motorola Inc		Office Depot, Inc
NetApp		Pearson Plc
Pitney Bowes Inc		Target Corporation
Qualcomm Inc		Time Warner
Salesforce.com Inc		Toyota Motor North America
Xerox Corporation		The Walt Disney Company
		<i>Not publically traded (excluded from sample)</i>
		Carlson
		Dollar General
		Corporation
		Levi Strauss & Co
		Ogilvy & Mather
		Worldwide
		Toys R Us Inc

Source: Coady (2008).

While the data collected by the *Center Encouraging Corporate Philanthropy* to generate the *Corporate Giving Standard* are not accessible to the public, the list of companies surveyed in each of these sectors is available. In order to assess how the current recession may affect corporate giving from these three sectors to education, financial data were collected for each of the companies participating in the survey to better understand sector wide profit performance during the recession.³ Table 5 lists the names of the companies participating in the *Corporate Giving Standard* which

were then used for the industry-wide aggregate sample.

For each of the companies participating in the *Corporate Giving Standard* annual survey, financial performance data were publically available for all companies, with the exception of five companies in the consumer discretionary industry which are not publically trading companies. These companies were omitted from the aggregate industry calculations. To understand the nature of each sector's performance before and during the current economic recession, the net income for each corporation in each sector was aggregated to a 'sector

net income' for 2005, 2006, 2007 and 2008. Based on these trends in corporate net income, it is possible to gain further insight into how corporate giving from each of these sectors could affect education.

THE LARGEST CORPORATE SECTOR DONOR TO EDUCATION: ENERGY

The energy sector was the largest donor in terms of total giving in 2007 to both higher education and K-12 education (Coady, 2008). While contributing the largest dollar value in 2007, the eight companies in the energy sample contributed a median 0.42 percent of their pre-tax profit to charitable causes; the median giving level among the companies was \$38.52 million (Coady, 2008). During 2006, the previous year's *Corporate Giving Standard* reports a median giving level of \$49.84 million, or 0.32 percent of pre-tax profits (Coady, 2007). These data cannot be compared from one year to the next because the corporations participating in the survey representing the energy sector were not the same. Yet, based on the sample of energy corporations in 2007, giving was significantly less than the overall giving level as percentage of pre-tax profit calculated for the entire corporate sector in 2007 of 0.8 percent (Giving USA Foundation, 2008).

An examination of the profit levels of a consistent group of companies participating in the 2007 survey provides an additional lens for viewing the potential to give. The eight surveyed corporations posted net income levels over \$55 billion dollars in 2008 – down almost one-third from 2007 profits. Figure 3 demonstrates the energy sector subgroup's net

income leading up to the current recession.

The decrease in net income for the sector is attributable to three companies in the sample posting negative incomes for 2008: Conoco Philips, Constellation Energy Group Inc. and Valero Energy Inc. Despite the overall sector-wide decrease in net income, the Chevron Corporation and Exxon Mobil Corporation posted record profit levels with net incomes for 2008 at approximately \$24 billion and \$45 billion, respectively. In terms of support from the energy sector to education, while aggregate data may suggest a decrease in profits and a possible decrease in giving, the performance of individual companies may be a more indicative of what to expect during the current recession. According to *The Chronicle of Philanthropy's* annual survey of corporate giving, despite posting record profits, the Chevron Corporation intends to maintain its current giving level in 2009; Exxon Mobil intends to increase its giving in 2009, which was already up 8.8 percent in 2008 from 2007 giving levels (*The Chronicle of Philanthropy*, 2009). Conoco Philips, despite posting a loss in net income during 2008, intends to maintain its 2008 giving level of approximately \$95 million in 2009.

THE LARGEST CORPORATE SECTOR DONOR TO K-12 AS A PERCENTAGE OF TOTAL GIVING: CONSUMER DISCRETIONARY

The consumer discretionary sector was the largest donor to K-12 education in terms of the percentage of overall giving in 2007 (Coady, 2008).

Figure 3: Energy subgroup net income.

Contributing the largest percentage of gifts to K-12 education in 2007, the 22 companies in the consumer discretionary sample contributed a median 2.37 percent of their pre-tax profits to charitable causes; the median giving level among the companies was \$15.34 million (Coady, 2008). During 2006, the previous year's *Corporate Giving Standard* reports a median giving level of \$18.75 million, or 2.84 percent of pre-tax profits (Coady, 2007). Again, these data cannot be compared from one year to the next because the corporations participating in the survey representing the consumer discretionary sector were not the same. Based on the samples, during both years, this sector's median giving amount as percentage of pre-tax profit is significantly larger than the amount calculated for the entire corporate sector in 2007 of 0.8 percent (Giving USA Foundation, 2008).

Of the 22 corporations participating in the *Corporate Giving Standard* annual survey, 17 corporations had publically available financial data. In total, this group of 17 corporations

posted an aggregate loss in net income of \$441 billion in 2008. This is driven largely by the substantial negative net income posted by Toyota North America; if Toyota North America is removed from the sample, the aggregate net income is -\$4 billion. Figure 4 illustrates the consumer discretionary subgroup net income performance between 2005 and 2008. The performance of this sector during the recession is consistent with common sense suggesting that in times of economic downturn, consumers would spend less on discretionary products and services. Only three of the surveyed companies posted an increase in 2008 net income: DirectTV, Gap Inc. and Pearson Plc.

The companies posting an increase in net income were not part of *The Chronicle of Philanthropy's* annual survey of corporate giving. Of those posting a decrease in net income, Best Buy intends to decrease its giving in 2009 whereas JC Penney and the Walt Disney Company intend to maintain their current giving levels in 2009 (*The Chronicle of Philanthropy*, 2009). Given the magnitude of the

Figure 4: Consumer discretionary subgroup net income (with and without Toyota North America).

economic downturn's impact in the consumer discretionary sector, it can be hypothesized that K-12 education may suffer from stagnant or decreasing funding from corporations in this sector given the affect of the recession on profit levels.

THE LARGEST CORPORATE SECTOR DONOR TO HIGHER EDUCATION AS A PERCENTAGE OF TOTAL GIVING: INFORMATION TECHNOLOGY

The information technology sector focused nearly one-third of its 2007 giving in higher education – more than any other corporate sector; it also participated in significant giving to

K-12 education domestically and abroad (Coady, 2008). The 15 companies in the information technology sample contributed a median 0.98 percent of their pre-tax profits to charitable causes; the median giving level among the companies was \$17.81 million (Coady, 2008). During 2006, the previous year's *Corporate Giving Standard* reports a median giving level of \$14.35 million, or 0.74 percent of pre-tax profits (Coady, 2007). Again, these data cannot be compared from one year to the next because the corporations participating in the survey representing the information technology sector were not the same. Based on the sample, in 2007, the sector's median

Figure 5: Information technology subgroup net income.

giving amount as percentage of pre-tax profit was slightly more than the amount calculated for the entire corporate sector in 2007 of 0.8 percent; it was slightly less than the average for the entire corporate sector in 2006 (Giving USA Foundation, 2008).

Financial data were publically available for all 15 information technology corporations participating in the *Corporate Giving Standard* annual survey. The net income from 2005–2008 for this subgroup is depicted in Figure 5. In total, this group of 15 corporations posted a net income in 2008 of \$57 billion – up slightly from 2007. Six companies posted a lower profit level in 2008 and Motorola posted a negative net income for the year of \$4 billion. Accenture LTD, Adobe Systems Inc., Cisco, Agilent Technologies, Hewlett Packard Company, IBM Corporation, Microsoft Corporation, Pitney Bowes Inc. and Salesforce.com all posted an increase in 2008 net income.

Despite the relatively good showing of the information technology sector given the overall economy's

performance, six of the seven companies in the sample who participated in *The Chronicle of Philanthropy's* annual survey of corporate giving stated that they intend to maintain their current giving levels in 2009. Maintaining their current giving levels and not increasing them, despite an increase in annual net income profits, alludes to the possibility that corporate giving is cautious given the overall economy's instability. Motorola, despite posting a negative net income, indicated in that it would increase its giving in 2009 (*The Chronicle of Philanthropy*, 2009). Higher education institutions receiving philanthropic donations from the information technology sector may be less affected during the recession given the increase in aggregate income of the sector and the responses to *The Chronicle of Philanthropy's* annual survey of corporate giving, indicating stationary or increasing giving levels.

DISCUSSION AND LIMITATIONS

Despite the limitations of this study, there are several findings which may be helpful for understanding the nature

of corporate giving to education in times of economic downturn. First, if the recession of the 1970s is any indication of what may be in store for those receiving corporate donations, corporate giving does not necessarily increase when the economy enters an expansion period. Despite economic expansion during most of 1975, corporate giving did not surpass the pre-recession level of \$4.95 billion until 1977. This suggests that corporate giving may not return to pre-recession levels in 2010 or 2011, assuming the economy enters an expansion in 2009. Second, despite the decline in giving in terms of absolute dollars during times of economic downturn, giving as a percentage of pre-tax profits remains relatively constant, indicating that companies still have a commitment to philanthropy, even during times of economic struggle. During the 1970s recession, giving levels as a percentage of pre-tax profits were relatively stable at approximately 0.7–0.8 percent – during economic contractions and expansions. Third, because different sectors of the economy perform differently during times of economic downturn, some of the recipients of corporate funding may be better or worse off based on the sources of giving. For instance, because of the relatively poor performance of the consumer discretionary industry compared to the information technology industry, K-12 education may be impacted more significantly than higher education. For instance, Best Buy has already indicated that it intends to decrease its giving in 2009 (*The Chronicle of Philanthropy*, 2009). Fourth, even within sectors, companies perform differently during times of

economic downturn. And owing to these varying levels of performance, changes in philanthropic giving to education may be quite different from one company to another. For instance, despite record profits by Exxon Mobil and Chevron Corporation, some companies in the energy sector posted significant losses during 2008. And while Exxon Mobil intends to increase giving, Chevron will maintain its giving at its current level in 2009. Fifth, financial performance is not always an indicator of giving. The most counter-intuitive example is Motorola. While posting negative profit in 2008, the company intends to increase its giving in 2009 (*The Chronicle of Philanthropy*, 2009). And, even if companies are doing well, they may not necessarily increase their giving levels. This is particularly true in the information technology sector. Despite a relatively good profit performance in 2008 for those companies participating in the Corporate Giving Standard annual survey, of those companies also surveyed by *The Chronicle of Philanthropy*, most intend to maintain giving levels. This could be because of the uncertainties affecting the overall economy, indicating that the impact of the recession goes beyond a company or sector's individual financial performance. And sixth, practitioners seeking advice for how to weather an economic recession with sustained corporate charitable support for an educational institution may benefit most from a diverse corporate funding portfolio. Seeking donations from one sector over another may not be the most secure bet; for instance, while the technology sector may have fared better than the

consumer discretionary sector during this recession, an advancement portfolio based solely on technology sector beneficiaries may not have been the most reliable donor source during the 1990s dot-com collapse. And equally important, these data indicate that while some sectors may have performed better than others during the current economic recession, there is variation among the different corporations within an industry subset. For this reason alone, a diverse set of corporate donors may be the most full-proof security against the impact of an economic recession on available corporate funding for educational programs.

There are several limitations to this study, some indicative of a general lack of common and universal indicators in the field of corporate philanthropy. Instead of one full data set, data were collected from *Giving USA*, *The Chronicle of Philanthropy* and *The Corporate Giving Standard*. The research was also conducted before the public availability of *Giving USA 2009*, with full giving data from 2008. The companies participating in each of the surveys is not consistent, making it difficult to develop a full understanding of corporate giving practices during times of economic downturns. Even within the surveys, the corporate participation is not consistent from year-to-year, in particular, making it difficult to develop conclusions about sector-based giving over time. Additionally, financial data were only available for the publically traded corporations. And the definitions of giving to education make it difficult – if not impossible – to develop any understanding of giving to education outside of the United

States. *Giving USA* tracks giving to ‘international affairs, development and peace’ which aggregates education with other humanitarian and development efforts. The *Corporate Giving Standard* makes a distinction of giving in the United States and giving abroad, but does not disaggregate international giving by type of giving. Another research limitation is related to the corporations for which giving data were available. This study examined larger corporations participating in national corporate giving surveys. Many large corporations have charitable giving programs directed to the education in the immediate community to improve the corporation’s competitive context – the quality of the business environment in the location or locations where they operate (Porter and Kramer, 2003). However, one could expect that smaller corporate entities not examined in this study to be a significant source of charitable to regional education institutions. While the macro-industry trends may be an indicator of how these entities may alter giving patterns during a recession, it is beyond the scope of this inquiry.

Future research specifically could examine corporate giving to education in developing countries. Additional qualitative research with staff members at corporations could provide insight into the specific motivations, rational and philosophy influencing some of the trends seen in this study at the industry and company level – not all of which are intuitive and commonsensical.

CONCLUSION

US corporations have grown to play a significant role in philanthropy. This

has translated into billions of dollars to support schools, universities, and non-profits working on educational initiatives in the United States and abroad. However, as with other donors, times of economic downturn impact how corporations direct their philanthropic giving. As seen during the recession of the 1970s, corporate giving was impacted for years beyond the initial point of economic contraction. Corporate giving did not return to pre-recession levels until 2 years following the start of the post-recession economic expansion. And, despite the decline in corporate giving during these times as measured by absolute dollars, corporate giving as a percent of pre-tax profits remained relatively stable during times of economic contractions, indicating a present commitment of corporations to engage in philanthropy even during times of economic troubles. Major fluctuations in giving as a percent of pre-tax profit are often partially attributable to other external factors unrelated to the economy's performance.

Corporate sectors and individual companies behave quite differently during times of economic downturn. Some industries – such as the consumer discretionary sector – are less ‘recession-proof’ than others. The impact of the recession on profits could translate into varying responses by corporate giving offices. And, profits are not the only indicator of how a corporate will behave philanthropically. Corporations with increasing profits and corporations with significant losses have indicated they will increase their giving in 2009 while some corporations with record profits have indicated that giving will

remain the same. However, one can conclude from history that times of economic downturn have an aggregate effect on corporate giving trends. Only seven companies of those surveyed by *The Chronicle of Philanthropy* projected to increase giving in 2009. Overall, while the nuances of corporate giving are not a precise science, it is logical for those in the education sector not to expect large increases in corporate gifts in near future. But more importantly, the performance of the US economy will be the most telling indicator of how long to expect lower levels of corporate gifts, requiring schools, universities and non-profits to plan accordingly well beyond the first year following the start of another economic expansion.

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NOTES

- 1 *Giving USA 2009* was not available at the time of this study; however, some of these data from the *Giving USA 2009* edition were made available through a webinar in June 2009. It is cited as ‘Fissinger, 2009’. The numbers from the webinar are reported in 2008 constant dollars; all other figures are reported in inflation-adjusted 2007 dollars.
- 2 Corporate giving is estimated by *Giving USA*, taking into account the itemized contributions claimed on federal tax forms, modified to

reflect corporate foundation giving as calculated by the Foundation Center (Giving USA Foundation, 2008).

- 3 Although performance data are available from each individual company through its publically disclosed financial documents, the data used in these calculations were obtained from each company's respective GoogleFinance profile.

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