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Is there a crisis in corporate philanthropy?

Exploring the contribution trends in Spanish and US companies

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Introduction

How will the economic downturn affect the field of corporate philanthropy? The collapse of the financial and credit market is real and the repercussions are dramatic. However, Big US corporations lifted their charitable giving during 2008 despite worsening economic conditions and a slowdown in earnings (Brewster, 2008). Moreover, 55 CEOs from many of the world's largest companies -IBM, General Electric or Coca-Cola - among others- anticipated their giving would be on par with 2008 during the Board of Boards CEO Conference on corporate philanthropy (Fryer, 2009).

In Europe, Spanish companies are also facing great economic challenges as profits tumble and boards take a closer look at every aspect of the business. In that setting, there are many Spanish opinion leaders that suggest the end of corporate philanthropy is near. Even Spain is the second largest philanthropic donor (Fundación de Estudios Financieros, 2008), they are convinced the economic downturn will cause companies to drastically decrease their contributions to society in 2009 (Caballero, 2008).

Nevertheless, there is some Spanish corporate philanthropy leaders that assert they will maintain their giving during the recession even if their profit are decreasing. During a recent conference, two corporate social responsibility managers from two leading Spanish companies, BBVA – a financial services company- and Inditex - , a fashion design, manufacturing and distribution group- claimed that they plan to increase their contributions. BBVA and Inditex enter philanthropic activities that impact directly on their core business. Their purpose is to create social value for the community and economic benefits such as strengthening their business competences, strengthen their reputation enhance employee morale or finding new business models.

The purpose of this article is twofold: first to explore how is affecting the economic downturn to the corporate philanthropy of large Spanish companies and to compare the downturn' effect between Spanish and United States global leaders' corporate philanthropic agendas. Second, we suggest that corporate philanthropic activities that survive the economic crisis are those applying a new approach: the sustainable management model. Under this new approach, companies create social value for their community through philanthropic activities that also impact directly on their corporate value.

Literature review

In an early contribution, Useem (1988) asserted that the single most important market factor underlying corporate philanthropy is the traditional measure of company success, its net income. In that line, Cochran and Wood (1984) provided empirical evidence from US companies to support the notion of a direct relationship between the level of company philanthropic donations and its financial performance. Also, McGuire et al. (1988) maintained that corporate philanthropic contributions “may be especially sensitive to the existence of slack resources and that less profitable firms may be less willing to undertake socially responsible actions. Adams and Hardwick (1998) study based on 1994 data from 100 United Kingdom listed companies reveal that profitable companies will tend to make larger donations than less profitable companies. Recently, based on a sample of 489 Fortune 500 companies, Crampton and Patten (2008) have found that differences in the extent of corporate contributions following the September 11, 2001 terrorist attacks in the United States are positively and significantly associated with differences in firms’ profitability. The study provides evidence suggesting that even in the wake of catastrophic events, and consistent with the more common types of corporate philanthropy, this charitable giving is constricted by economic concerns. In their article, authors cite prior studies that document a significant positive relation between firms’ short-term profitability and their charitable contributions (Maddox and Siegfried, 1980; McElroy and Siegfried, 1985; Navarro, 1988; Useem, 1988; and Galaskiewicz, 1997, among others).

However, corporate philanthropy is more than a passive product of corporate success. It is used to stimulate success as well (Useem, 1998). Indeed, an emerging genre of work relating to corporate philanthropy concerns its use as a part of the overall strategy and strategic positioning of a company (Campbell and Slack, 2008). Haley (1991) discussed charitable contributions in terms of “social currency” and suggested that contributions can be and are used to align corporations and environments and can serve as strategic resources. Mescon and Tilson (1987) suggested that philanthropy, in many instances, has developed into a vital component of corporate strategic management. Strategic philanthropy was later described by Thorne, Ferrell, and Ferrell (2003) as being the “synergistic use of a firm’s resources to achieve both organisational and social benefits” (Thorne et al., 2003, p. 360). Therefore, if companies integrate philanthropy into their strategic goals, they will build opportunities to create value for their businesses while addressing important social needs. Hess, Rogovsky and Dunfee (2002) argue that philanthropy is truly strategic for companies when they are able to use their businesses’ core resources to create social benefits and enhance their competitive advantages. Porter and Kramer (2002) assert that true strategic giving addresses important social and competitive context where the company and society both benefit because the firm brings unique assets and expertise. Exploiting their full potential to develop and implement solutions not only offers more powerful benefits to society, but enables companies to distinguish themselves, enhance their brands, motivate their employees and strengthen their licenses to operate (Bruch & Walter 2005; Epstein, 2005; Kramer & Kania, 2006; Marx, 1999). In that line, different business cases have been studied like Hoyt (2003) who presented the case of Cisco Systems. The company has developed a philanthropic program that is integrated throughout the company, with a strategy that is consistent with the company’s business direction and corporate resources. As in its business endeavors, the company concentrates on efficient

use of resources to achieve maximum results, and aligning and reinforcing the business and philanthropic strategies. Also, Bonfiglioli, Moir & Ambrosini (2006) described Microsoft's activities in encouraging employability to show how these activities provide strategic advantage for the company.

Corporate philanthropy can increase consumer name recognition and employee productivity, reduce research and development costs, help overcome regulatory obstacles and lead to similar benefits that could improve profitability (Smith, 1994; Simon, 1995). Thus, corporate philanthropy can be seen as potentially having a positive impact on a firm's sales, and, to the extent increased revenues lead to income, its profitability (Patten, 2008). Based on a survey of corporate philanthropy managers of U.S. firms, Saiia, Carroll and Buchholtz (2003) found that some well-established corporate philanthropic programs are being run in a manner that benefits the community as helping to better position the firm. In this context, top management teams are requiring greater strategic accountability in corporate philanthropic programs and professional standards for allocation of corporate resources and more experienced and mindful management of the philanthropic function have been created. In a similar vein, Brammer, Millington and Pavelin (2006) explored philanthropic management practices among large companies based in the United Kingdom. Their research revealed that decisions are mostly made by top managers, while management processes are assigned to a functional area inside the company. Lately, based on fourteen in-depth interviews with decisions makers in Canadian corporations, Foster, Meinhard, Berger and Krpan (2009) identified distinct roles for corporations in their philanthropic activities. The majority of companies in their sample were categorized within the overarching context of investing in community because of the business benefits that result from engaging in philanthropic activities.

Several authors argue that corporate philanthropy should be viewed as a strategic investment that can yield intangible returns, such as enhanced reputation, corporate culture and legitimacy (Fombrun and Gardberg, 2000). Gardberg and Fombrun (2006) argue that corporate philanthropy can create "reputational capital". Godfrey (2005) further argues that increased stocks of reputational capital provide insurance-like protection for the intangible asset values arising from companies' relations with various stakeholders. Such relations include the affective commitment of employees, legitimacy with communities and governments, trust from suppliers and partners, and brand loyalty from customers. Godfrey notes that such relations are valuable and rare assets that are difficult for competitors to imitate and consequently leads to competitive advantage.

In short, on one side the assumption that corporate philanthropy depends on the availability of organizational slack is accepted in the business and society literature (Seifert, Morris and Bartkus, 2004). On the other side, several scholars sustain that corporate philanthropy is becoming more strategic and thus, is expected to more directly contribute to the company's profitability (Saiia, et.al 2003).

Nowadays, companies around the world are struggling to secure its cost position. Even for those companies that avoided the most severe effects of the crisis, uncertainty about the

future is abundant and credit remains tight (Cogman, Dobbs, and Giordano, 2009). The economic downturn has put great pressure on CEO's and top managers whom are responding by the cut of costs wherever possible. Financial responsibilities are of fundamental concern for the business institution (Carroll, 1991). A firm must meet its financial requirements for maintaining competitive market position before discretionary expenditures such as corporate philanthropy can be made (Saiia et al, 2003). By this logic, many experts claim that the decline of corporate philanthropy may be dramatic and irreversible.

Nevertheless, one could argue companies that undertake their cause involvement from a strategic approach will continue supporting them despite their financial challenges. In contrast, companies that adopt another form of corporate philanthropy may decide to reduce their contributions to society. To be precise, companies that have integrated philanthropy into their operations implementing philanthropic programs that serve the community and advance the objectives of the firm will continue investing on them independently of their financial challenges. On the contrary, when philanthropy is marginal to core business it may be easily cut down by companies dealing a profit decline.

To support those propositions, we conducted a research that includes two parts. First, we made a survey among large Spanish companies to determine how they are adapting their philanthropic activities to the economic environment and if those companies are planning to reduce or modify them. To put in context this study and given that the US represents the mature model of corporate philanthropy relative to European countries (Pasquero, 1991), corporate philanthropy figures for our sample' Spanish companies were compared with those of U.S companies in order to highlight any significant trend variation between the two groups.

Second, we conducted eight in depth interviews with the Corporate Social Responsibility manager or the top decision maker in charge of corporate philanthropy in eight companies from the IBEX 35. The purpose of those interviews were to analyze how leading companies undertake their philanthropic initiatives and to capture process elements that are not accessible via traditional quantitative methodologies.

Methods

The first part of the article is devoted to provide the evidence concerning on how Spanish companies are adapting their contributions to the new economic setting. For that purpose, a quantitative research was developed among a sample of Spanish companies: 35 companies, -the entire sample- from IBEX 35, the main index reference from the Spanish Stock Exchange. This sample has been chosen because the vast majority of corporate philanthropy is carried out by large companies and also, because those companies provide data about their philanthropic activities through their annual reports. Taking these facts into account, we conclude that our data offers sufficient coverage of the philanthropic investments by the largest Spanish contributors. The quantitative part will include the disclosure of the relationship between the philanthropy budgets and the financial performance for 2006, 2007 and 2008.

From the 35 constituents of this index, 26 companies are in the final sample since 9 companies do not enter in philanthropic activities or do not make any public reports and have not answered the postal survey. The postal survey contained two parts; the first part was a tailored questionnaire containing specific requests of data that was not on reports and the second part contained a survey on their 2009 corporate philanthropy agenda and their point of view on how the crisis is affecting corporate philanthropy. A series of follow-up telephone calls and e-mail letters were employed to encourage response. 46% of companies answered the survey, that is 16 of 35 companies answered, 1 company stated that they could not answer since they were in the process of rethinking their current philanthropic policies.

In order to compare the downturn' effect between Spanish and United States' corporate philanthropic investments, we use giving in numbers 2008 and giving in numbers 2009 reports provided by the Committee Encouraging Corporate Philanthropy (CECP). Those reports present survey findings on 155 companies.

The second part of the article is devoted to discuss the results of the survey and to understand how the economic downturn is affecting their corporate philanthropy. Further, we suggest that corporate philanthropic activities that survive the economic crisis are those applying the sustainable management model. For that, based on the survey findings and a series of in-depth interviews with 8 corporate decision makers, a classification framework of philanthropic management models is developed.

The focus of each interview was the person's own experience with the company's philanthropic activities, the evolution of its involvement, commitments and feelings towards corporate philanthropy and the collection of events that he saw as important in the evolution of the company's philanthropic activities.

Patterns of philanthropic investments in Spain and United States: Comparisons from a discrete perspective.

Figure 1 shows a snapshot of median findings on key data points from our survey, 2006, 2007 and 2008 company annual reports for IBEX 35 companies and the 2007, 2008 and 2009 editions of Giving in numbers surveys for U.S companies.

In order to compare Spanish and US philanthropic investments, we present data in dollars. Since Spanish companies report their figures in Euros, we used the annual exchanges rates for 2006, 2007 and 2008 Euros per US Dollar provided by the OECD in the Main Economic Indicators 2009 edition to convert Euros amounts in Dollar amounts.

Medians are used because they are less sensitive to extreme values than averages, which can be skewed by very high or very low values. In 2008, philanthropic investments per company ranged from \$1 million to over \$160 million in our surveyed IBEX 35 companies. CECP found that the philanthropic investments per company ranged from \$600,000 to over \$1.9 billion in their US companies survey.

Figure 1 puts on view that US philanthropic investments are superior to Spanish philanthropic investments. But, when observed as a percentage of revenues, as a percentage of pre-tax profits and per employee the gap gets smaller.

Figure 1 : 2006, 2007 and 2008 data snapshot for Spanish and U.S companies

	IBEX 35 companies N=22	U.S companies N=136	Fortune 100 companies N= 55
2006			
Median total philanthropic investments	\$ 9,73 million	\$ 21,89 million	\$ 50,07 million
Median total philanthropic investments as a % of revenue	0,11%	0,12%	0,10%
Median total philanthropic investments as % of pre-tax profit	0,65%	0,88%	0,76%
Median total philanthropic investments per employee	\$ 559	\$ 693	\$ 636
2007			
	IBEX 35 companies N=26	U.S companies N=155	Fortune 100 companies N= 69
Median total philanthropic investments	\$ 9,74 million	\$ 25,53 million	\$ 46,31 million
Median total philanthropic investments as a % of revenue	0,10%	0,13%	0,10%
Median total philanthropic investments as % of pre-tax profit	0,66%	0,92%	0,83%
Median total philanthropic investments per employee	\$ 569	\$ 650	\$ 559
2008			
	IBEX 35 companies N=26	U.S companies N=137	Fortune 100 companies N= 55
Median total philanthropic investments	\$ 14,1 million	\$ 25,95 million	\$ 50,60million
Median total philanthropic investments as a % of revenue	0,11%	0,13%	0,10%
Median total philanthropic investments as % of pre-tax profit	0,94%	1,23%	1,34%
Median total philanthropic investments per employee	\$ 658	\$ 752	\$ 642

Source: IBEX 35 companies Annual Reports 2006; 2007; 2008; CECP, Giving in Numbers 2007 Giving in Numbers 2008 Giving in Numbers 2009

Benchmarking tables

The benchmarking tables on the following pages show median findings on key data points from our survey and 2006, 2007 and 2008 company annual reports for IBEX 35 companies and the 2007, 2008 and 2009 editions of Giving in numbers surveys for U.S companies.

Revenue provides a clear expression of a company's financial size. The highest revenue among Spanish IBEX 35 companies was \$78.000 million, no Spanish company have revenue higher than \$100.000 million. Among participants in the CECF survey, revenue ranged from negative to over \$400.000 million. The Fortune 100 is a ranking of the top 100 American public corporations, measured by gross revenue where the cut-off for the 2008 list was \$ 24,5 billion in 2007 revenue. As a result, 8 US companies have revenue higher than \$100.000 million. In that context, median philanthropic investments of companies with revenue higher than \$100 billion cannot be compared with Spanish figures.

However, there are more similarities across the countries regarding the rest of different ranges for revenue, pre-tax profit and number of employees. Indeed, for most Spain and U.S range by range median philanthropic investments are very similar except for a few. Observing only U.S ranges it can be stressed that as revenues and pre-tax profit ranges are lower, median philanthropic investment amounts become also lower, for 2006 and 2007. On the contrary, as revenues and pre-tax profits of Spanish companies go down the different ranges, median philanthropic investments oscillate without a defined behavior. Companies with less revenue or less pre-tax profit present higher or lower median philanthropic investments indiscriminately.

One explanation could be that since a long tradition of corporate philanthropy exists among U.S companies, in United States there are institutions that provide databases related to philanthropy statistics, ranked lists with different types of financial data on corporate philanthropy and corporate philanthropy directories. Consequently, those different data sources help U.S companies coming up with a philanthropic landscape across a set of comparable peer companies. Quite the opposite, in Spain there are any aggregated statistics on corporate philanthropy. Corporate philanthropy still is a recent phenomenon in the country.

Pre-tax profit indicates a company's discretionary funds for reinvestment into their business. Comparing range by range Spanish and U.S median philanthropic investments as a percentage of pre-tax profit, data is very similar and it do not show a defined behavior neither for Spanish and U.S percentages. Broadly, those figures suggest that Spanish companies and U.S companies adopt a similar approach to corporate philanthropy. Both groups allocate a very similar percentage of pre-tax profit to philanthropic investments which competes with other departments for profit dollars, as one way of investing in the company's long-term health. This point will be analyzed in deep on the second part of the article.

Figure 2: 2006, 2007 and 2008 benchmarking tables for Spanish and U.S companies by revenue ranges.

Companies classification by revenue range in million dollars 2006	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee in \$
Spain Revenue > \$ 100.000	n.a	n.a	n.a	n.a
U.S. Revenue > \$ 100.000	114,72	0,04	0,27	819
Spain \$ 50.000 < revenue < \$ 100.000	44,81	0,07	0,58	554
U.S. \$ 50.000 < revenue < \$ 100.000	46,45	0,05	0,54	381
Spain \$ 25.000 < revenue < \$ 50.000	85,94	0,31	0,98	1.258
U.S. \$ 25.000 < revenue < \$ 50.000	41,28	0,13	0,9	693
Spain \$ 10.000 < revenue < \$ 25.000	16,31	0,13	0,6	718
U.S. \$ 10.000 < revenue < \$ 25.000	20,51	0,13	0,99	955
Spain \$ 5.000 < Revenue < \$ 10.000	7,79	0,1	0,61	435
U.S. \$ 5.000 < Revenue < \$ 10.000	9,49	0,13	0,8	496
Spain Revenue < \$ 5.000	5,34	0,2	0,82	525
U.S. Revenue < \$ 5.000	4,39	0,16	1,17	823
Companies classification by revenue range in million dollars 2007	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee in \$
Spain Revenue > \$ 100.000	n.a	n.a	n.a	n.a
U.S. Revenue > \$ 100.000	91,62	0,05	0,34	367
Spain \$ 50.000 < revenue < \$ 100.000	86,06	0,12	0,73	860
U.S. \$ 50.000 < revenue < \$ 100.000	55,37	0,07	0,86	508
Spain \$ 25.000 < revenue < \$ 50.000	121,92	0,33	0,8	925
U.S. \$ 25.000 < revenue < \$ 50.000	35,72	0,11	0,89	516
Spain \$ 10.000 < revenue < \$ 25.000	17,19	0,13	0,77	564
U.S. \$ 10.000 < revenue < \$ 25.000	20,62	0,13	0,86	736
Spain \$ 5.000 < Revenue < \$ 10.000	6,78	0,11	1,17	502
U.S. \$ 5.000 < Revenue < \$ 10.000	11,24	0,13	1,09	576
Spain Revenue < \$ 5.000	3,66	0,26	0,74	573
U.S. Revenue < \$ 5.000	3,97	0,24	2,37	1.161
Companies classification by revenue range in million dollars 2008	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee in \$
Spain Revenue > \$ 100.000	n.a	n.a	n.a	n.a
U.S. Revenue > \$ 100.000	69,74	0,04	0,69	559
Spain \$ 50.000 < revenue < \$ 100.000	105,70	0,125	0,84	928
U.S. \$ 50.000 < revenue < \$ 100.000	51,11	0,07	1,13	485
Spain \$ 25.000 < revenue < \$ 50.000	55,54	0,21	0,82	1.379
U.S. \$ 25.000 < revenue < \$ 50.000	49,68	0,19	1,65	732
Spain \$ 10.000 < revenue < \$ 25.000	11,93	0,09	0,67	191
U.S. \$ 10.000 < revenue < \$ 25.000				
Spain \$ 5.000 < Revenue < \$ 10.000	10,17	0,155	1,14	496
U.S. \$ 5.000 < Revenue < \$ 10.000	11,40	0,16	1,13	702
Spain Revenue < \$ 5.000	2,98	0,135	0,45	614
U.S. Revenue < \$ 5.000	3,43	0,16	1,71	1.017

Source: IBEX 35 companies Annual Reports 2006, 2007, 2008; CECP, Giving in Numbers 2007, Giving in Numbers 2008 and Giving in Numbers 2009

Figure 3: 2006, 2007, 2008 benchmarking tables for Spanish and U.S companies by pre-tax profit ranges

Companies classification by pre-tax profit range in million dollars 2006	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee in \$
Spain Pre-tax profit > \$10.000	133	0,47	1,18	1.075
U.S. Pre-tax profit > \$10.000	108,3	0,18	0,64	983
Spain \$ 5.000 <pre-tax profit< \$10.000	48,31	0,12	0,73	790,5
U.S. \$ 5.000 <pre-tax profit< \$10.000	45,77	0,11	0,63	524
Spain \$ 3.000 <pre-tax profit< \$5.000	n.a	n.a	n.a	n.a
U.S. \$ 3.000 <pre-tax profit< \$5.000	33,25	0,12	0,76	601
Spain \$ 2.000 <pre-tax profit< \$3.000	17,52	0,13	0,6	1.085
U.S. \$ 2.000 <pre-tax profit< \$3.000	25,30	0,14	0,99	742
Spain \$1.000 < pre-tax profit< \$2.000	9,58	0,12	0,81	759,5
U.S. \$1.000 < pre-tax profit< \$2.000	11,92	0,11	0,83	743
Spain pre-tax profit < \$1.000	3,88	0,2	0,58	457
U.S. pre-tax profit < \$1.000	7,06	0,13	1,49	565
Companies classification by pre-tax profit range in million dollars 2007	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee in \$
Spain Pre-tax profit > \$10.000	121,92	0,33	0,81	845
U.S. Pre-tax profit > \$10.000	124,01	0,17	0,79	1.339
Spain \$ 5.000 <pre-tax profit< \$10.000	48,96	0,14	0,80	1.597,50
U.S. \$ 5.000 <pre-tax profit< \$10.000	42,59	0,11	0,65	564
Spain \$ 3.000 <pre-tax profit< \$5.000	37,88	0,16	0,89	1.446
U.S \$ 3.000 <pre-tax profit< \$5.000	37,7	0,13	0,86	858
Spain \$ 2.000 <pre-tax profit< \$3.000	7,35	0,09	0,37	757
U.S. \$ 2.000 <pre-tax profit< \$3.000	24	0,09	0,88	589
Spain \$1.000 < pre-tax profit< \$2.000	10,96	0,13	0,69	406,5
U.S. \$1.000 < pre-tax profit< \$2.000	11,62	0,11	0,87	522
Spain pre-tax profit < \$1.000	3,66	0,12	0,74	497
U.S. pre-tax profit < \$1.000	8,06	0,16	2,43	709
Companies classification by pre-tax profit range in million dollars 2008	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee \$
Spain Pre-tax profit > \$10.000	124,71	0,26	1,05	710
U.S. Pre-tax profit > \$10.000	196,07	0,17	1,32	1.722
Spain \$ 5.000 <pre-tax profit< \$10.000	45,49	0,12	0,81	1.379
U.S \$ 5.000 <pre-tax profit< \$10.000	86,65	0,26	1,23	890
Spain \$ 3.000 <pre-tax profit< \$5.000	n.a	n.a	n.a	n.a
U.S \$ 3.000 <pre-tax profit< \$5.000	30,50	0,08	0,85	642
Spain \$ 2.000 <pre-tax profit< \$3.000	24,56	0,12	1,08	1.605
U.S \$ 2.000 <pre-tax profit< \$3.000	31,22	0,15	1,22	699
Spain \$1.000 < pre-tax profit< \$2.000	6,92	0,11	0,55	403
U.S. \$1.000 < pre-tax profit< \$2.000	17,59	0,13	1,01	931
Spain pre-tax profit < \$1.000	3,95	0,09	0,63	253
U.S. pre-tax profit < \$1.000	9,33	0,16	2,51	582

Source: IBEX 35 companies Annual Reports 2006, 2007, 2008; CECP, Giving in Numbers 2007, Giving in Numbers 2008 and Giving in Numbers 2009

Figure 4: 2006, 2007, 2008 benchmarking tables for Spanish and U.S. companies by number of employees

Companies classification by number of employees range 2006	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee in \$
Spain Employees > 100.000	57,75	0,09	0,68	246
U.S. Employees > 100.000	58,55	0,12	0,87	332
Spain 50.001<employees< 100.000	7,48	0,07	0,44	108
U.S. 50.001<employees< 100.000	36,16	0,12	1	634
Spain 30.001<employees< 50.000	19,83	0,075	0,41	551,5
U.S. 30.001<employees< 50.000	29,81	0,09	0,77	670
Spain 20.001<employees<30.000	33,75	0,2	2,32	1201
U.S. 20.001<employees<30.000	20,8	0,14	0,74	823
Spain 10.000<employees< 20.000	7,37	0,2	0,805	525
U.S. 10.000<employees< 20.000	12,05	0,13	0,98	863
Spain Employees < 10.000	2,26	0,13	0,64	1567
U.S. Employees < 10.000	3,89	0,1	1,01	1.291
Companies classification by number of employees range 2007	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee in \$
Spain Employees > 100.000	94,52	0,17	0,8	514
U.S. Employees > 100.000	49,82	0,1	0,96	264
Spain 50.001<employees< 100.000	9,56	0,06	0,51	106,5
U.S. 50.001<employees< 100.000	55,04	0,17	0,92	680
Spain 30.001<employees< 50.000	43,25	0,09	0,65	1.206
U.S. 30.001<employees< 50.000	24,59	0,1	0,75	633
Spain 20.001<employees<30.000	25,59	0,17	0,95	1.005
U. S. 20.001<employees<30.000	20,80	0,21	1,15	862
Spain 10.000<employees< 20.000	7,35	0,18	1,06	573
U.S. 10.000<employees< 20.000	10,62	0,11	0,85	783
Spain Employees < 10.000	2,59	0,16	0,74	630
U.S. Employees < 10.000	3,94	0,17	1,09	1.270
Companies classification by number of employees range 2008	Median total philanthropic investments in \$ million	Median total philanthropic investments as a % of revenue	Median total philanthropic investments as a % of pre-tax profit	Median total philanthropic investments per employee in \$
Spain Employees > 100.000	121,35	0,20	0,74	652
U.S. Employees > 100.000	50,10	0,10	1,61	202
Spain 50.001<employees< 100.000	16,65	0,095	1,58	182
U.S. 50.001<employees< 100.000	62,91	0,19	1,49	812
Spain 30.001<employees< 50.000	44,60	0,085	0,78	1291,5
U.S. 30.001<employees< 50.000	27,20	0,09	1,06	699
Spain 20.001<employees<30.000	10,84	0,135	1,295	496
U. S. 20.001<employees<30.000	25,97	0,26	1,83	1.041
Spain 10.000<employees< 20.000	13,42	0,25	0,94	1128
U.S. 10.000<employees< 20.000	11,40	0,12	0,88	779
Spain Employees < 10.000	2,70	0,11	0,49	741,5
U.S. Employees < 10.000	3,47	0,10	0,91	1,183

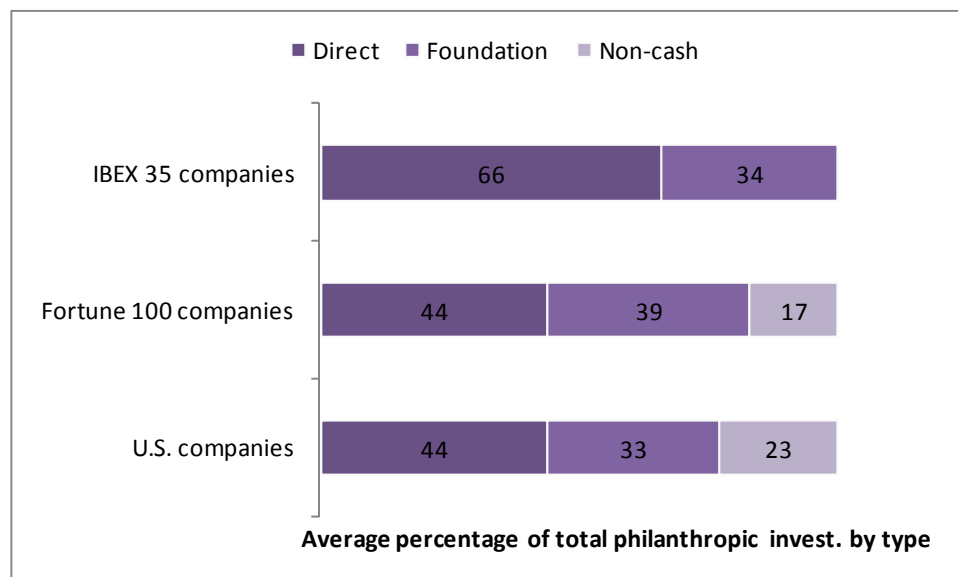
Source: IBEX 35 companies Annual Reports 2006, 2007, 2008; CECP, Giving in Numbers 2007, Giving in Numbers 2008 and Giving in Numbers 2009

Philanthropic investments by budget source

50% of the IBEX 35 companies in our sample reported having a corporate foundation. Nevertheless, More than 60% of philanthropic investments are done directly by corporate. In contrast, 92% of Fortune 100 companies and 85% of the rest of US companies have a corporate foundation through which a large proportion of their philanthropy is administered. .

Next figure shows the average percentage of total philanthropic investments in 2008 made by surveyed IBEX 35 companies, Fortune 100 and the rest of US companies. An average percentage is used in place of an aggregate percentage to preserve the relative proportions of philanthropic investments for each company.

Figure 5: 2007 IBEX 35 companies, Fortune 100 companies and US companies average percentage of total philanthropic investments by type (IBEX 35 N = 20; F100 N= 61; US N= 80).

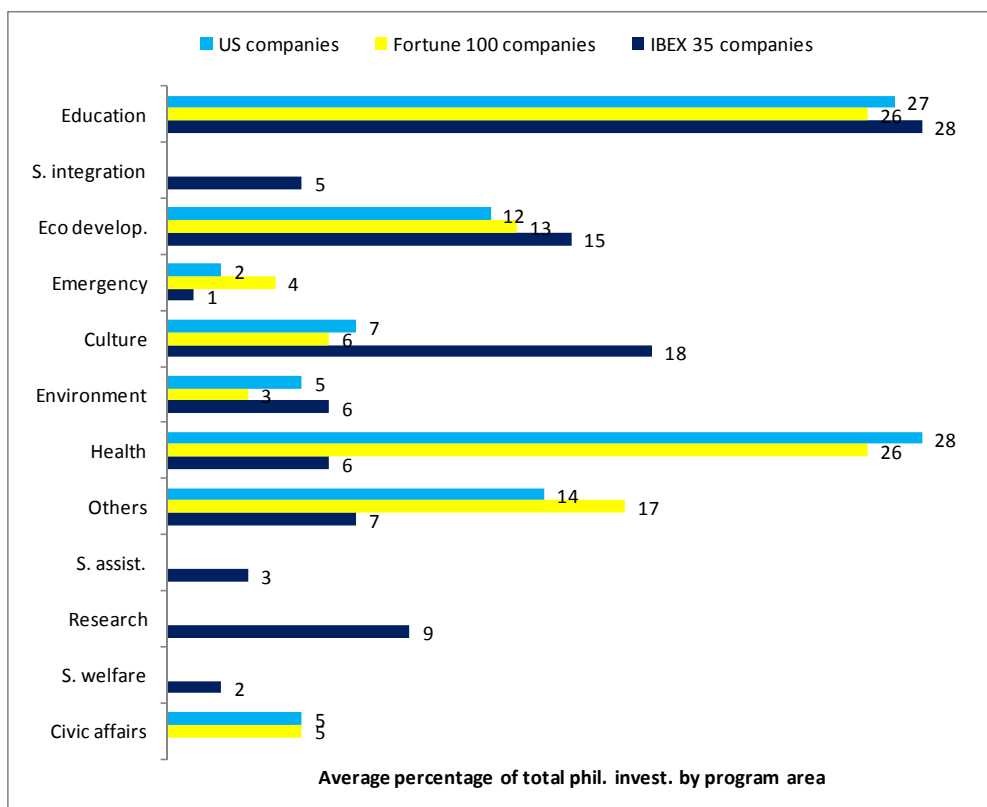


Source: IBEX 35 companies Annual Reports 2007; CECP, Giving in Numbers 2008

Philanthropic investments by program area

Spanish companies and U.S companies allocate a large share of its philanthropic investments budget to education, 26% for IBEX 35 companies, 27% for Fortune 100 and 28% for U.S companies. In average, a Spanish company allocated the largest share of its philanthropic budget to education while a U.S company allocated an equal percentage of its total philanthropic budget to health & social services and education. On her side, the typical Spanish company allocated the second largest share of its budget, 19%, to culture programs, area that U.S companies transfer 7%. Spanish and Fortune 100 companies coincide assigning the third largest share of its philanthropic budget to economic development, 15% for IBEX 35 companies and 14% for fortune 100 companies while for U.S companies economic development represent the fourth largest share with 12%.

Figure 6: 2008 IBEX 35 companies, Fortune 100 companies and US companies average percentage of total philanthropic investments by program area (IBEX 35 N = 20; F100 N= 42; US N=82).

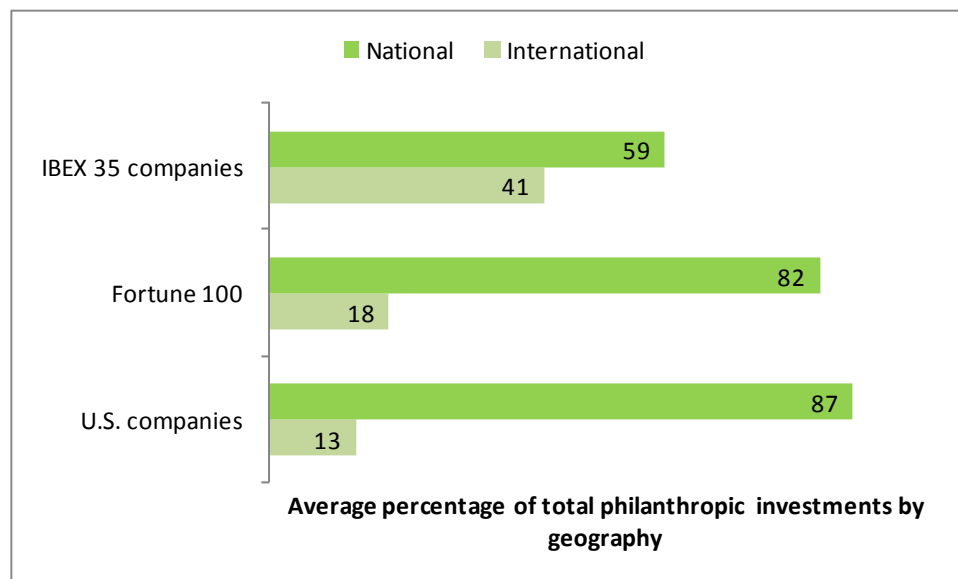


Source: IBEX 35 companies Annual Reports 2008; CECP, Giving in Numbers 2009

Philanthropic investments by geography

There is an uptake of 7 points in international philanthropic investments among surveyed IBEX 35 companies. Moreover, from figure 7 it can be assessed that Spanish companies dedicate a significantly higher percentage of their 2008 total philanthropic budgets internationally than their U.S counterparts.

Figure 7: 2008 IBEX 35 companies, Fortune 100 companies and US companies average percentage of total philanthropic investments by geography (IBEX 35 N=17; F100 N=38; US N=53)



Source: IBEX 35 companies Annual Reports 2008; CECP, Giving in Numbers 2009

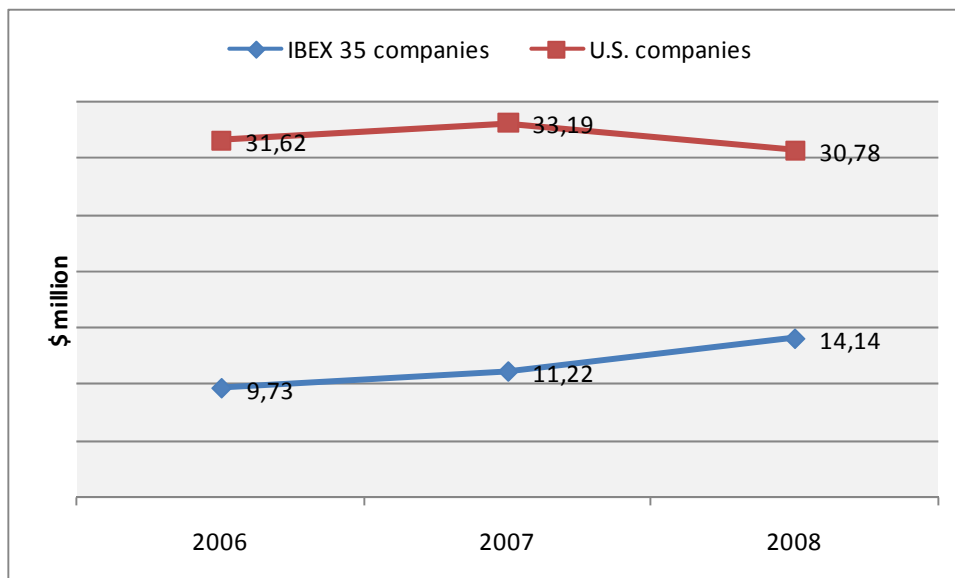
Overview: Philanthropic investments trends and the economic downturn

In order to make comparisons from a continuous perspective and observe trends in the real value of corporate philanthropic investments between 2006 and 2008, we have to adjust numbers for inflation. We use the Spanish GDP deflator provided by the OECD in the Main Economic Indicators 2009 edition to get the amount of philanthropic investments in 2006 constant dollar value.

Next figures are based in a matched-set of 22 IBEX 35 companies providing data from 2006 to 2008. This matched set is lower than the total number of companies reporting in 2007 because companies providing a report for the first time in 2007 cannot be used to identify the period 2006-2008 trends.

The CECP relies also in a matched-set data adjusted for inflation to analyze specific trends from one year to the next. In this case, the matched-set data for US companies is 102.

Figure 8: Median total philanthropic investments per company- inflation adjusted (IBEX 35= 22; U.S companies= 102)



Source: Authors from IBEX 35 companies Annual Reports 2006, 2007,2008; CECP, Giving in Numbers 2009

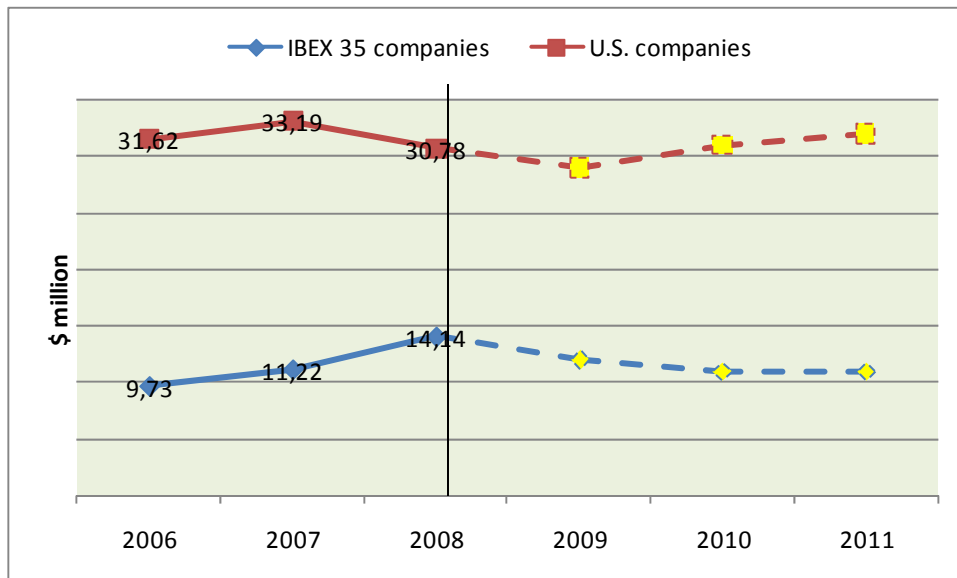
The median total philanthropic investment made by U.S companies is more than 2 times the corresponding median for Spanish companies. This may be explained in part once again by the long philanthropic tradition in United States. As it has been seen above, over

80% of U.S. companies had established a corporate foundation through which a large proportion of their philanthropy is run. Many U.S. foundations are very long-lived and have accumulated considerable endowments, which provide an additional source of corporate philanthropy from that funded by ongoing investments from companies (Brammer and Pavelin, 2005).

In 2008 Spanish philanthropic investments represent 46% of the total philanthropic investments made by U.S. companies. However, the median philanthropic investments per Spanish company follows a rising trend showing an increase of 26% whereas the median philanthropic investments per U.S. company went down 7,8% from a peak in 2007 of \$33,19 million.

However, the 2008 median philanthropic investments per Spanish company may represent a pick which may start a decline in 2009. One explanation could be a one-year lag between profits and philanthropic investment levels. Consequently, after the 2008 pick, median philanthropic investments may decline during next years. Since the US philanthropic investment has reached a peak a year before the Spanish one, the upturn of philanthropic investments per US company may also start before the Spanish one.

Figure 9: Possible Median total philanthropic investments per company during next years.



Source: Authors from IBEX 35 companies Annual Reports 2006, 2007,2008; CECP, Giving in Numbers 2009

Figure 10 provides an overview of how pre-tax profit changed from 2006 to 2008 for Spanish and US companies. From 2006 to 2007 68% of Spanish companies and 63% of US companies saw an increase in their pre-tax profit. Next, this situation reversed. From 2007 to 2008 59% of Spanish companies and 68% of US companies saw profits fall.

Figure 10: Distribution of IBEX 35 companies and US companies by percentage increase/decrease in 2006 to 2007 and 2007 to 2008 pre-tax profit adjusted to inflation

	Increase/decrease in pre-tax profit			
	2006 to 2007		2007 to 2008	
Spanish companies (N = 22)	68% Δ^+	32% Δ^-	41% Δ^+	59% Δ^-
US companies(N = 96)	63% Δ^+	37% Δ^-	32% Δ^+	68% Δ^-

Source: Authors; CECP, *Giving in Numbers 2009*

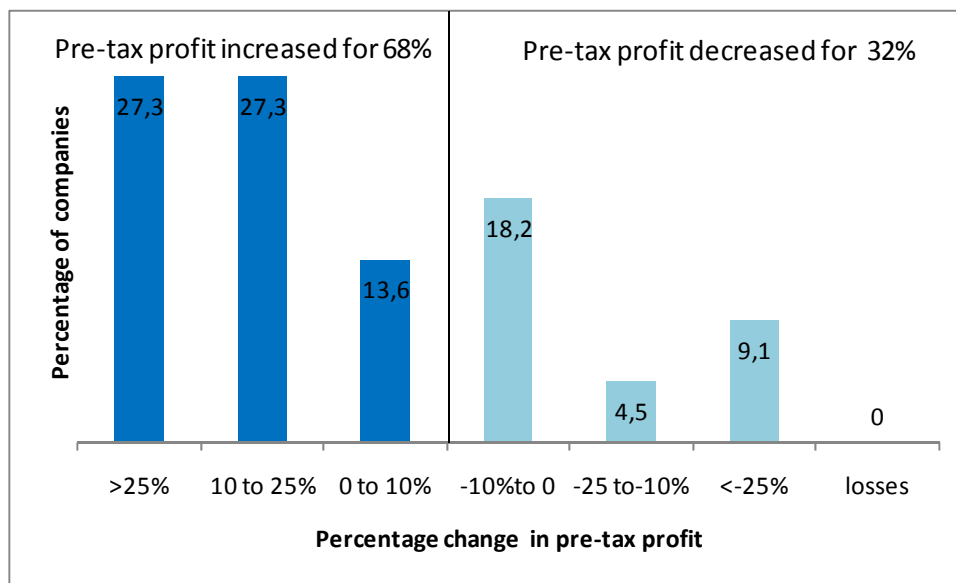
Next figures depict how inflation-adjusted pre-tax profit changed from 2006 to 2007 and from 2007 to 2008 for a matched set of surveyed companies in more detail. We follow CECP' method for investigating changes in corporate philanthropy over time since it shows the actions taken by individual companies. To create this figure, each company's year-over-year percentage change in pre-tax profit was calculated and then sorted into one of seven categories based on that company's percentage increase or decrease in pre-tax profit.

Figure 11 shows that 68% of the IBEX 35 sample companies saw profit rise. Almost 60% of them had pre-tax profit increases of 10% or more. On the contrary, 32% of companies saw profit fall from 2006 to 2007. Almost 20% had a profit decrease of 10% or less and none of companies experienced a net loss.

The economic downturn that began in late 2007 has take place with greater intensity in 2008 with 59% of companies experiencing profit fall. Figure 18 shows that within this group, 27% of companies had a decrease of 10% or less, 18% of companies had a profit decrease of a quarter or more and 4% of companies had net losses.

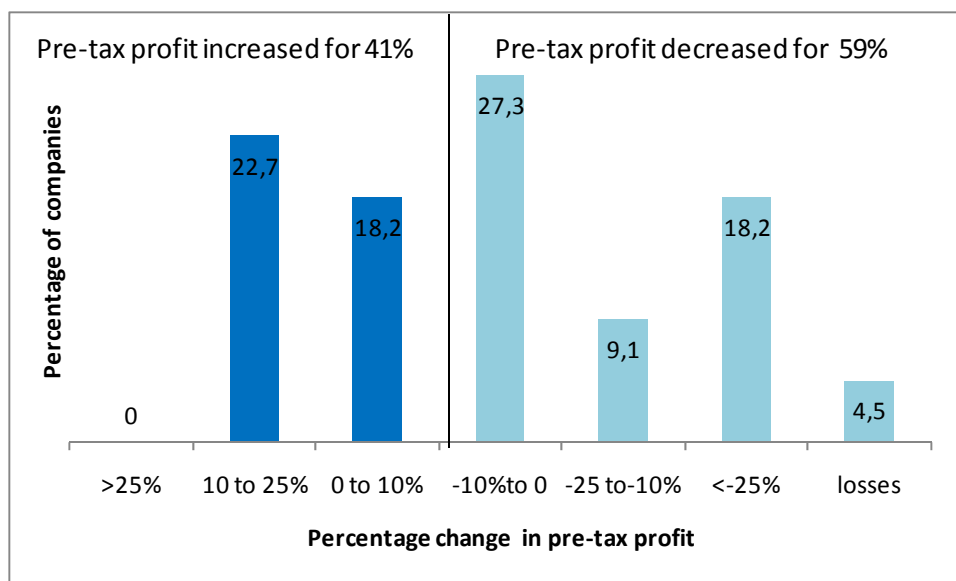
It is worth to note that data adjusted for inflation reveal that 59% of surveyed IBEX 35 companies had a real decrease in their pre-tax profit against 50% for data not adjusted to inflation.

Figure 11: Distribution of IBEX 35 companies by percentage increase/decrease in 2006 to 2007 pre-tax profit (N = 22) adjusted to inflation



Source: Authors

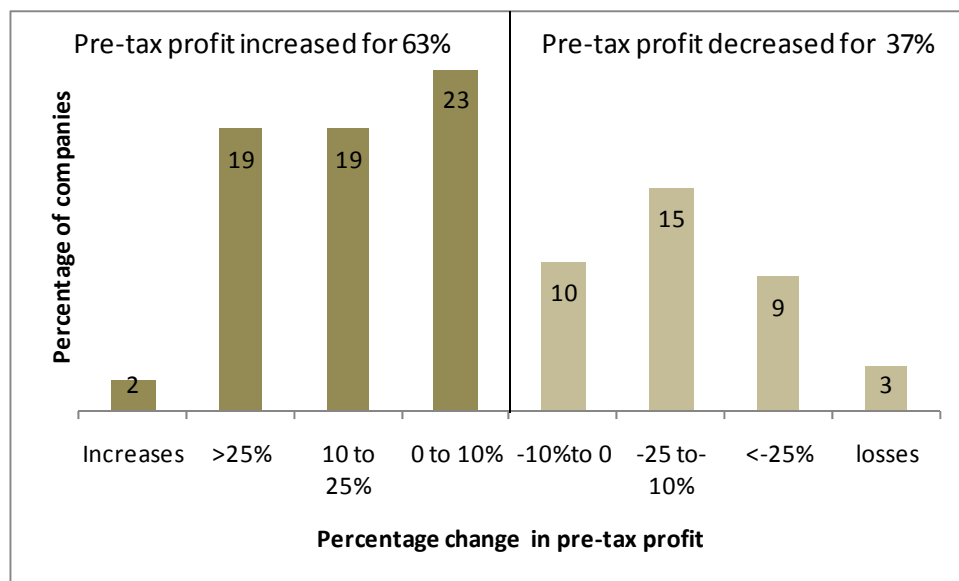
Figure 12: Distribution of IBEX 35 companies by percentage increase/decrease in 2007 to 2008 pre-tax profit (N = 22) adjusted to inflation



Source: Authors

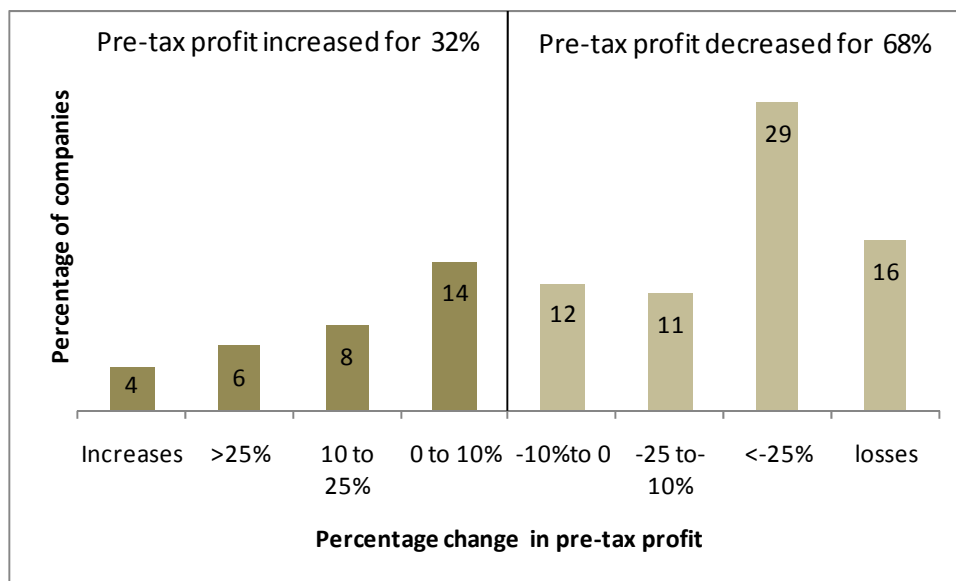
Next figures, 13 and 14, show in detail the economic context of US companies. While from 2006 to 2007 63% of companies had a profit increased with 19% experimenting an increase of a quarter or more, from 2007 to 2008 only 6% of companies had an increase of a quarter or more. At the same time, while from 2006 to 2007 only 37% of US companies had a profit decrease, next period, 68% of US companies had a profit decrease. 29% of US companies had a profit decrease of a quarter or more and 16% had net losses.

Figure 13: Distribution of US companies by percentage increase/decrease in 2006 to 2007 pre-tax profit (N = 96) adjusted to inflation



Source: CECP, 2008.

Figure 14: Distribution of US companies by percentage increase/decrease in 2007 to 2008 pre-tax profit (N = 96) adjusted to inflation



Source: CECP, 2008

Figure 15 provides an overview of how philanthropic investments changed from 2006 to 2008 for Spanish and US companies. From 2006 to 2007, 73% of Spanish companies and 56% of US companies increased their philanthropic investments. Despite profit declines for around 60% of Spanish and US companies, more companies increased their philanthropic investments from 2007 to 2008 than decreased it; 64% of Spanish companies and 53% of US companies increased their philanthropic investments.

Figure 15: Distribution of IBEX 35 companies and US companies by percentage increase/decrease in 2006 to 2007 and 2007 to 2008 philanthropic investments adjusted to inflation

	Increase/decrease in philanthropic investments			
	2006 to 2007		2007 to 2008	
Spanish companies (N = 22)	73% Δ^+	28% Δ^-	64% Δ^+	37% Δ^-
US companies (N = 102)	56% Δ^+	44% Δ^-	53% Δ^+	47% Δ^-

Source: Authors; CECP, 2009

Next figures depict how inflation-adjusted total philanthropic investments changed from 2006 to 2007 and from 2007 to 2008 for a matched set of surveyed companies. To create this figure, each company's year-over-year percentage change in total philanthropic investment was calculated and then sorted into one of six categories based on that com-

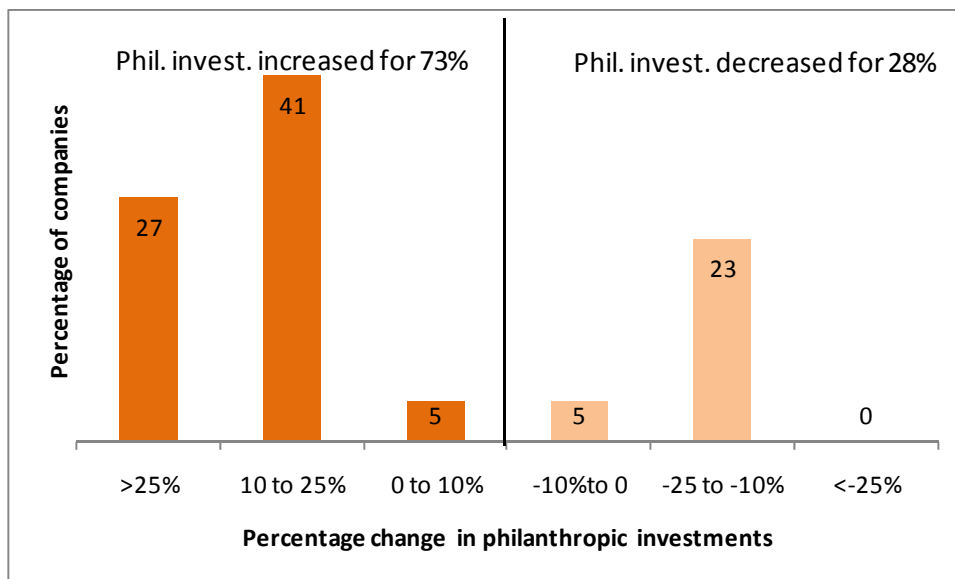
pany's percentage increase or decrease in philanthropic investments.

From 2006 to 2007, while a considerable majority of companies increased their philanthropic investment, 28% decreased it.

73% of Spanish companies increased their philanthropic investments; 27% of them increased a quarter or more those investments and 41% of companies increased by a range between 10% and 25%.

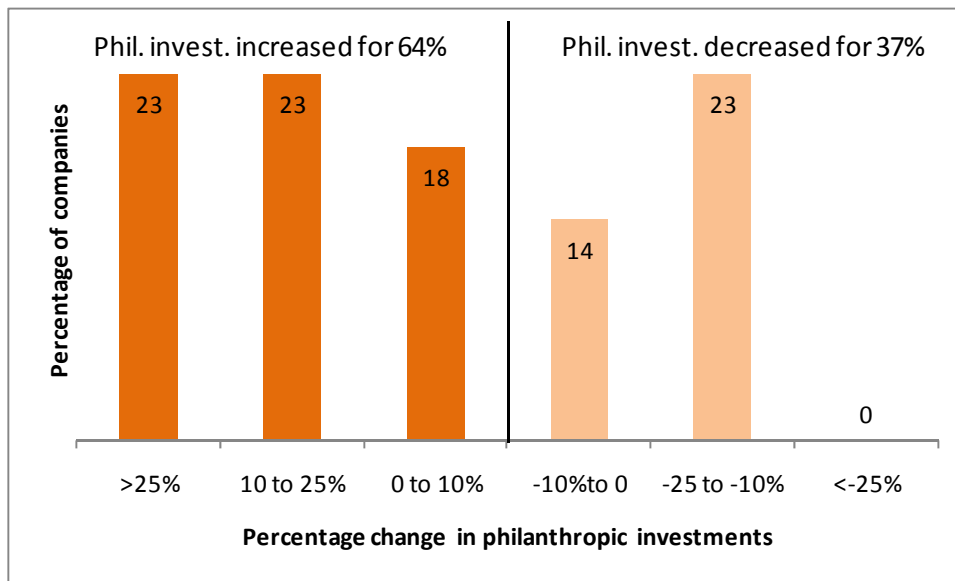
In spite of the economic downturn, 64% of surveyed IBEX 35 companies increased their philanthropic with 41% among them presenting an increase higher than 10%. At the other end of the spectrum, 23% decreased philanthropic investments by 10% to 25%.

Figure 16: Distribution of IBEX 35 companies by percentage increase/decrease in 2006 to 2007 philanthropic investments (IBEX 35 N=22) adjusted to inflation



Source: *Authors*

Figure 17: Distribution of IBEX 35 companies by percentage increase/decrease in 2007 to 2008 philanthropic investments (IBEX 35 N=22) adjusted to inflation

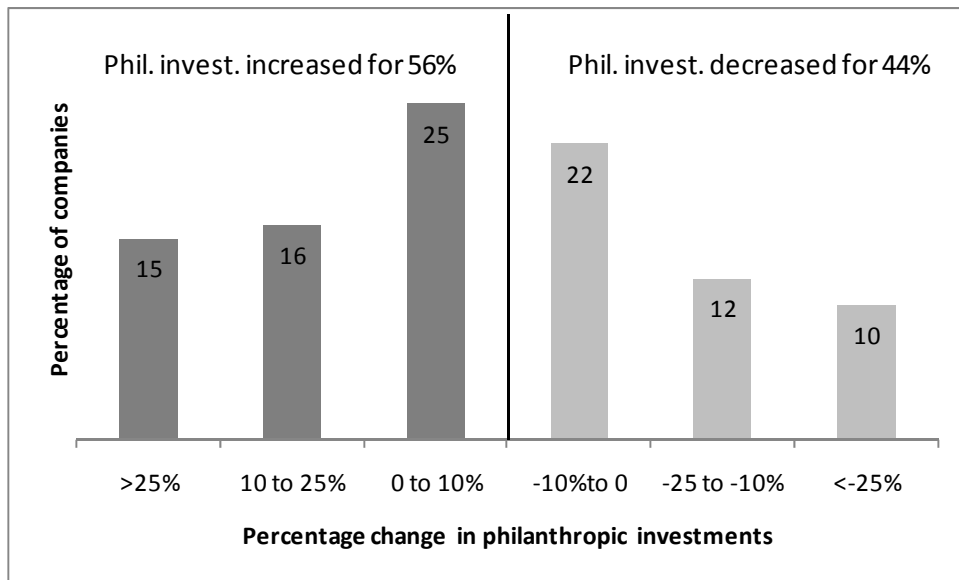


Source: Authors

The percentage of US companies that increased their philanthropic investments is more restrained than Spanish one during 2006 to 2007. Indeed, 56% of US companies increased their philanthropic investments whereas 73% of Spanish companies did so.

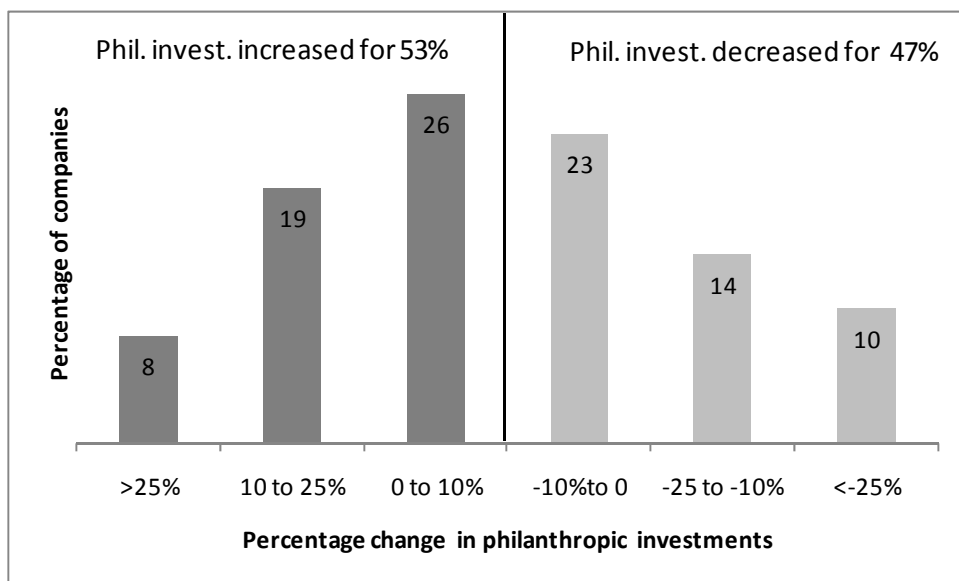
Nonetheless, like Spanish companies, more US companies increased their philanthropic investments from 2007 to 2008 than decreased it; 53% increased philanthropic investments, with 27% increasing their philanthropic investments by 10% or more. It is worth to note that more than 60% of Spanish companies show an increase of more than 10% contrasting with U.S companies which percentages are more dispersed.

Figure 18: Distribution of U.S. companies by percentage increase/decrease in 2006 to 2007 philanthropic investments (US N=102) adjusted to inflation



Source: CECP, 2009.

Figure 19: Distribution of U.S. companies by percentage increase/decrease in 2007 to 2008 philanthropic investments (US N=102) adjusted to inflation



Source: CECP, 2009.

To explore further the connection between previous figures on profit changes and figures on philanthropic investment changes, next figure indicates how total philanthropic investments changed based on increased or decreased profit in 2008.

Among the 41% of Spanish companies with increased pre-tax profit 67% of them increased their philanthropic investments and 33% decreased them. And among the 32% of US companies with increased pre-tax profit 55 % increased philanthropic investments and 45 % decreased them.

Among the 59% of Spanish companies with decreased pre-tax profit, 62% increased philanthropic investments and 38% decreased them. And among the 68% of US companies with decreased pre-tax profit 51 % increased philanthropic investments and 49 % decreased them. Consequently, the relationship between profits and philanthropic investments is not uniform across companies. Not all companies with increased profit made more philanthropic investments and vice versa. At the same time, a one-year lag between profit and philanthropic investments may be applicable to some companies and not to others. This suggests that a company's financial performance is just one factor affecting philanthropic budget-setting. This assessment will be analyzed in depth on the qualitative part of this paper.

Figure 20: Effects of pre-tax profit on Spanish and US philanthropic investments 2008.

	Philanthropic investments Δ^+		Philanthropic investments Δ^-	
	US	Spanish	US	Spanish
Companies with pre-tax profit Δ^+	55%	67%	45%	33%
Companies with pre-tax profit Δ^-	51%	62%	49%	38%

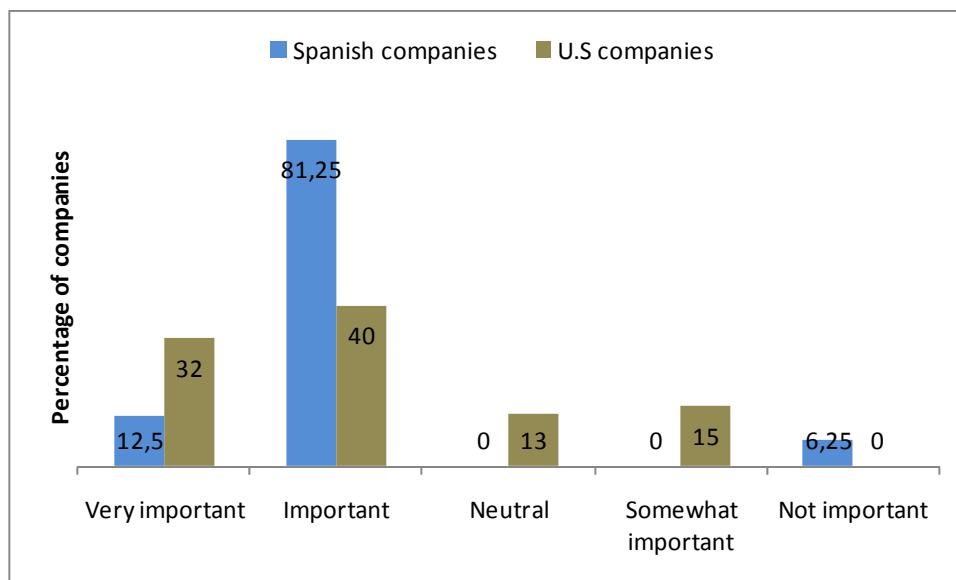
Source: Authors; CECP, 2009.

Perspectives for 2009

In order to shed light how Spanish companies are refocusing their efforts in light of the changing economic landscape, we made a survey among IBEX 35 companies. The survey focused on their 2009 corporate philanthropy agenda and their point of view on how the crisis is affecting corporate philanthropy. Next, the survey results are presented. For US companies, data was available only for a few features of our survey.

To the question how important should the economy be in determining philanthropic investments, 81% of our sample IBEX 35 companies consider that it should be important and 6% consider that it should not be important. In contrast, all the U.S. companies surveyed by CECP, a total of 55 companies consider that it should be important differing with different degrees of importance.

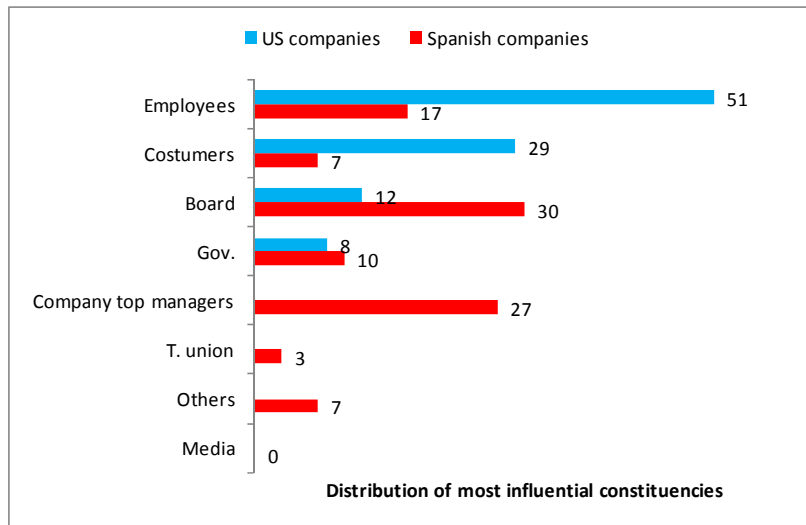
Figure 21: Point of view of IBEX 35 and U.S companies about the influence of the economy over philanthropic investments. (IBEX 35 companies= 16; U.S companies= 55).



Source: Authors

To the question when considering a change in your company's contributions, which constituency most influences your decisions, Board with 29% and company top managers with 27%, are the constituencies that most influence surveyed Spanish companies whereas, employees with 51% are those that most influence U.S companies.

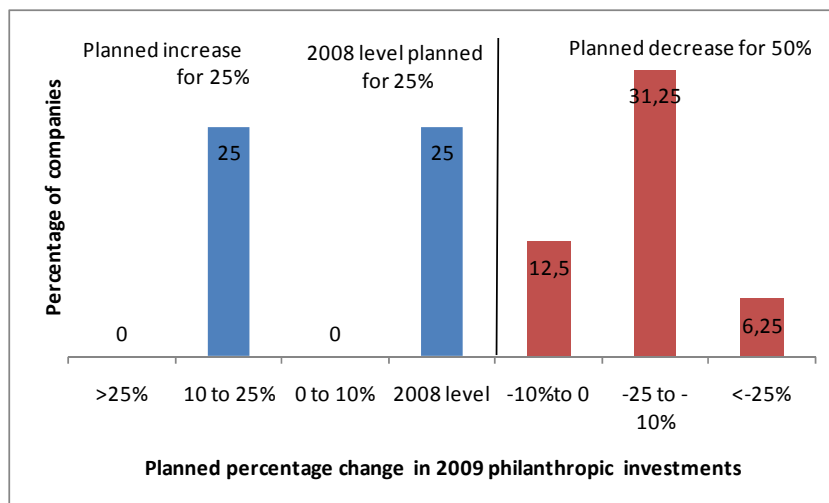
Figure 22: Distribution of constituencies that most influence company decisions when considering a change in their philanthropic investments



Source: Authors; CECP, 2009.

In spite of the economic downturn, 25% of surveyed IBEX 35 companies are planning to increase more than 10% their philanthropic investments in 2009 and 25% are planning to keep the same level as 2008.

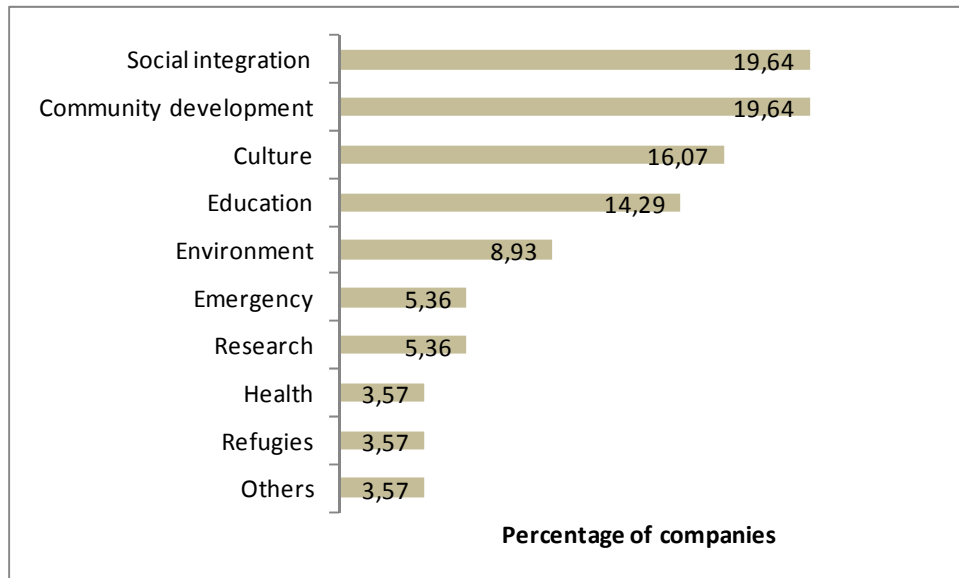
Figure 23: Distribution of IBEX 35 companies by percentage increase/decrease projected to 2009 philanthropic investments



Source: Authors

When asked which will be the greatest area of focus for your company's philanthropy in 2009? The most voted areas were social integration and community development with 20% of the votes each, the second and the third were culture with 16% and education with 14% of votes.

Figure 24: 2009 most important focus areas for IBEX 35 companies

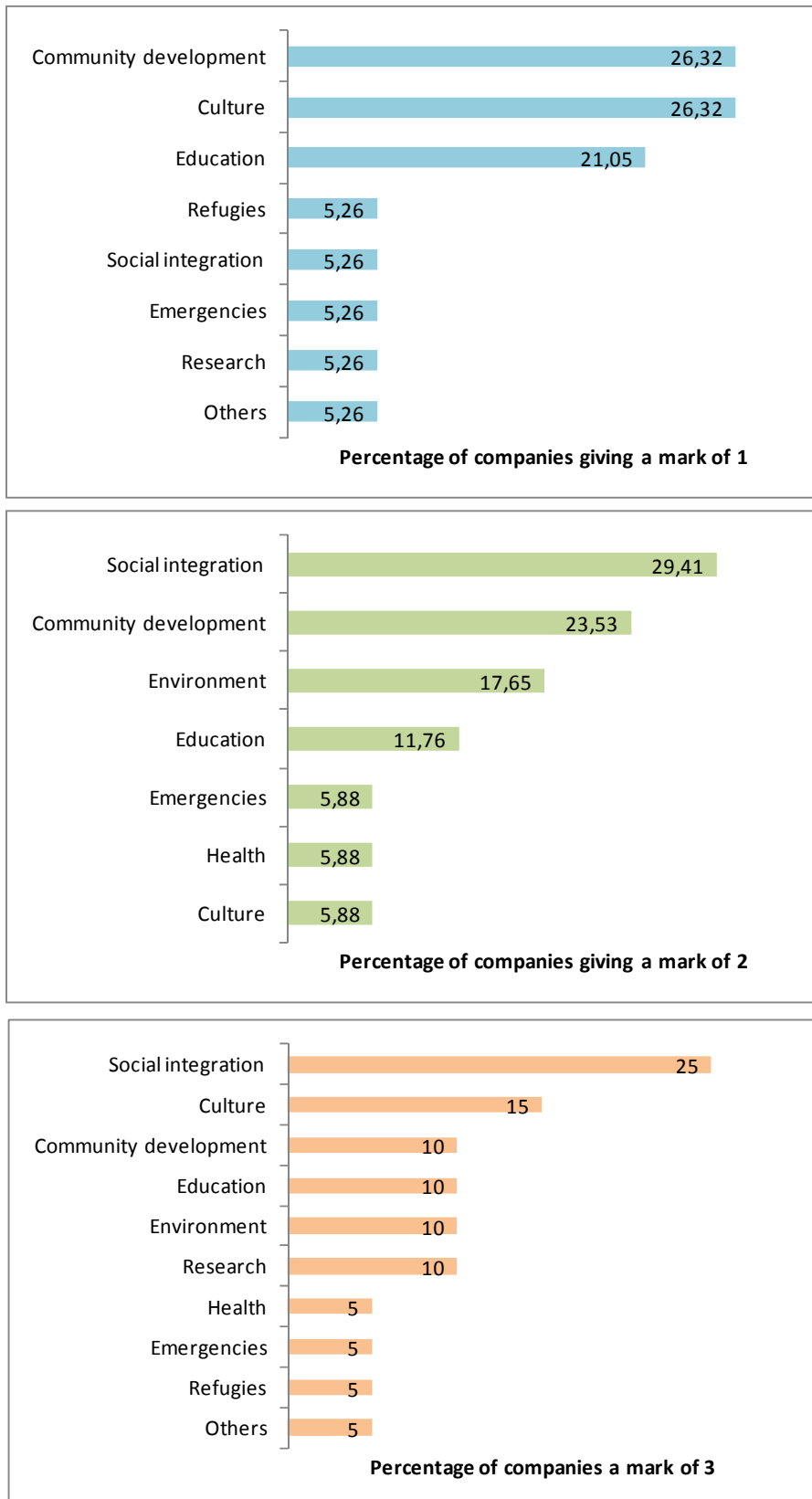


Source: *Authors*

The next request was to punctuate 1 the most important area to focus for the company, 2 the second most important and 3 the third most important.

74% of votes to punctuation 1 concentrated in community development, culture and education areas, 71% of votes to punctuation 2 concentrated in social integration, community development and environment areas. In contrast, votes to punctuation 3 were more dispersed. Figure 20 shows in detail the votes percentages.

Figure 25: 2009 most important focus areas for IBEX 35 companies (1= most important; 2= second most important; 3= third most important)



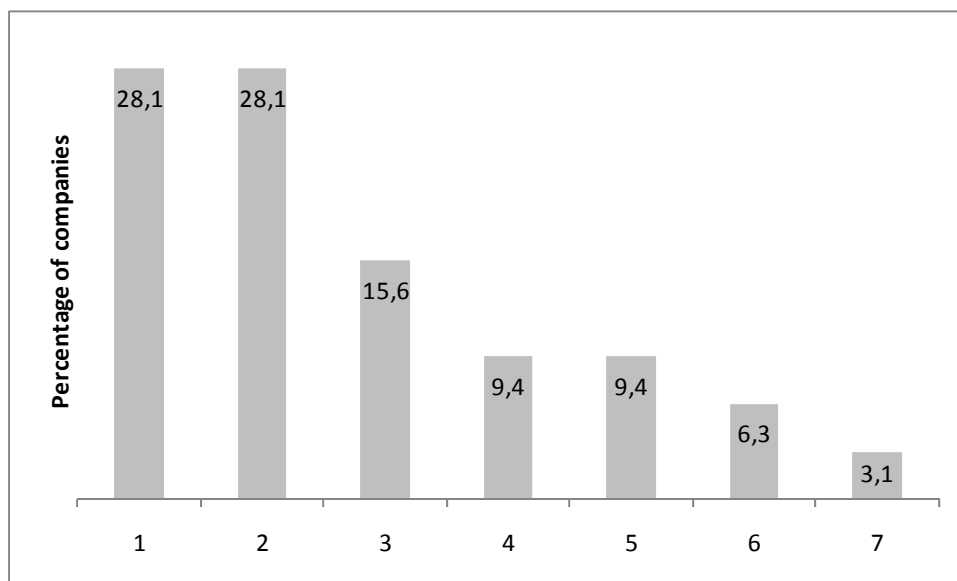
Source: Authors

Then companies were asked to say how will be the main type of philanthropic involvements. 30% of companies declared they will focus in corporate voluntary programs and 30% said that they will focus in collaboration projects with NGO's.

The different types of philanthropic involvement were:

1. Corporate voluntary programs
2. Long-term collaborations projects with NGO's
3. Long-term collaborations projects with public administrations
4. Awareness campaigns with other public or private organizations
5. Event sponsorships
6. In-kind donations
7. Others

Figure 26: 2009 main type of philanthropic involvement for IBEX 35 companies



Source: Authors

Finally, when companies were asked about what they consider the most important for them in the current economic climate the answers were:

50% of our IBEX 35 companies sample thinks that it is time to demonstrate that corporate philanthropy is crucial for business through the reinforcement of its integration to the company' strategic objectives. Companies will focus their efforts in philanthropic activities that generate benefits for business and solve social problems.

37,5% of our IBEX 35 companies sample thinks that it is the time to amplify the traditional concept of non-cash contributions by the exploration of new forms of contributing to the community.

12,5% of our IBEX 35 companies sample thinks that the economic downturn will severely affect corporate philanthropy. Companies will reduce their philanthropic investments since they have to focus their efforts on their business to counteract the crisis effects.

In a similar vein, 50% of U.S companies think the most important for companies is to re-focus contributions to causes central to business strategy.

Qualitative part: philanthropic management models classification

This part of the research is focused on a sample of eight large leading Spanish companies from the IBEX 35. The selection criteria is based on the Social Responsibility Observatory (Observatorio de Responsabilidad Social) (2008) analysis on the quality and coherence of the information those companies provide about their philanthropic activities and the score on their corporate responsibility they obtained -the average of GRI, AA1000, NEF, NU and Corporate Governance.

Figure 27: Eight companies from the IBEX 35 selected

companies	Revenues 2006 \$millions	Revenues 2007 \$millions	Revenues 2008 \$millions	Pre-tax profit 2006 \$millions	Pre-tax profit 2007 \$millions	Pre-tax profit 2008 \$millions	philanthropic investments 2006 \$millions	philanthropic investments 2007 \$millions	philanthropic investments 2008 \$millions
abertis	4.184,32	4.958,90	5.378,65	1.166,37	1.432,88	1.431,29	11,67	15,12	13,42
acciona	7.870,01	10.893,84	18.516,52	2.204,39	1.470,14	1.090,06	7,79	9,59	8,19
BBVA	19.000,00	23.658,90	27.745,61	8.820,58	11.636,99	10.125,73	70,77	94,52	124,71
Telefónica	66.375,16	77.316,44	84.716,37	8.486,83	14.635,62	15.957,60	57,75	127,86	167,69
Ferrovial	15.501,88	20.041,10	20.652,05	849,44	912,33	-559,94	3,72	6,33	11,93
Inditex	10.283,94	12.924,66	15.214,91	1.680,55	2.254,25	2.320,03	7,48	6,78	15,46
Mapfre	16.604,77	20.364,38	25.893,27	1.450,44	1.871,23	2.026,32	33,75	43,25	55,54
Repsol	69.109,16	76.606,85	89.144,74	6.811,79	7.649,32	6.887,43	31,87	44,25	43,70

Source: Companies 2008 annual reports

The next figure shows that five of eight companies studied are among companies that have increased their philanthropic investments even their pre-tax profits have decreased in 2008.

Figure 28: Variations from 2007 to 2008 in pre-tax profits and philanthropic investments

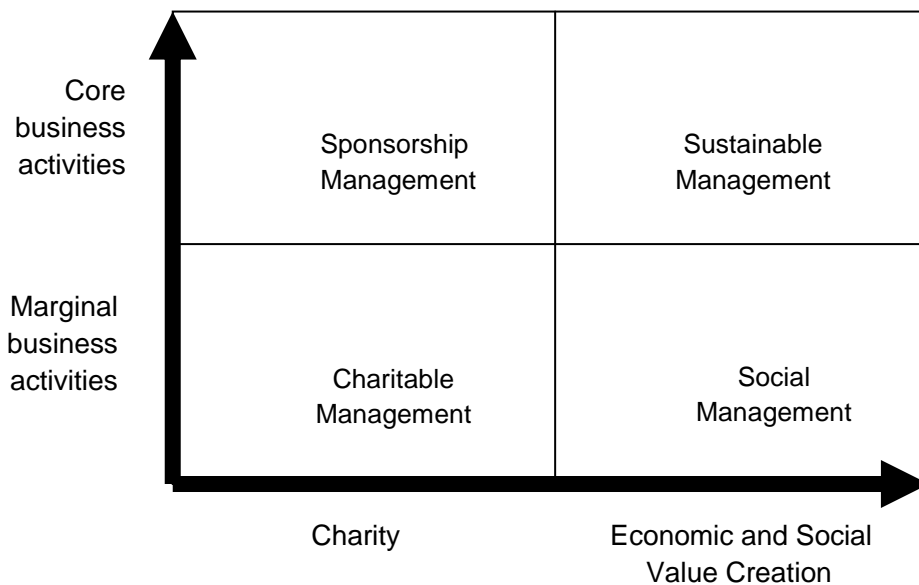
	Philanthropic investment Δ^-	Philanthropic investment Δ^+
Pre-tax Profit Δ^-	22,7% Abertis Acciona Repsol	36,4% BBVA Inditex Telefónica Mapfre Ferrovial
Pre-tax Profit Δ^+	13,6%	27,3%

Source: Authors

We propose the matrix below to map large companies' philanthropy management. The vertical axis represents the alignment degree of companies' philanthropic investments to their core operations. At one end, we would find companies supporting any kind of philanthropic investments, with no specific criteria. At the other end, we would find the companies that seek to align their philanthropic activities to their know-how and core operations. S. Litow, IBM's Community Relations Vice President, explained, "We devote IBM's philanthropic resources in the same way we manage our business research and development resources. We offer solutions that prove that IBM technologies can solve –and not just address- social and educational issues as if they were business issues." (Vernis, 2002).

The horizontal axis represents the extent to which corporate philanthropic activities create economic and social value. At one end, we find companies that embark on philanthropy purely and exclusively for charitable purposes, giving to society without expecting anything in return. At the other end, we find companies engaged in philanthropic activities that generate business benefits and social value. Figure 22 exhibit the matrix containing Corporate Philanthropy Management Models.

Figure 29: Corporate Philanthropy Management Models



Source: Authors

The charitable model include companies whose prevailing motivations to contribute to society fluctuate between the desire of their shareholders or top managers and a reaction to pressures from local NGOs or communities. Companies do not intend to contribute to solving a social issue or to draw any benefits for themselves. All eight sample companies admitted that, before they transformed their philanthropy policies, they conducted a thor-

ough diagnosis of their social activities that brought to light a lack of clearly defined policies, coordination and evaluations mechanisms. Under these conditions, companies do not need to develop any operating capabilities to make their donations and to institutionalize their philanthropy inside the organization. These companies used to make ad-hoc donations to several institutions in different areas, while most employees remained unaware or detached. In other words, top managers adopt a donor-recipient approach to make their donations because they do not have the intention to develop a collaborating relationship to these institutions. Thus, it may be inferred that, before their respective revisions, philanthropy management at sample companies followed the charitable model. For instance, before launching its Social Plan in Latin America, BBVA's ten business units in the region made isolated contributions to several sectors, such as education, culture, health care, social aid, environmental issues, and business development, among others.

The sponsorship model matches companies that try to exploit synergies between their business and their philanthropic activities. These companies establish clearly defined decision-making criteria to ensure that their philanthropic investments are effective and provide brand awareness and reputation. In that line, an important criteria for these companies is the synergy between their brand values and attributes and those of the grantee institutions. The desired benefit is enhanced reputation not improvement in the company's ability to compete. Its emphasis remains on awareness rather on value creation. For example, Abertis, which core business is mobility, chose transportation and road safety as its philanthropy focus, as well as social access, social and economic development, environmental preservation and road safety education. The company views sponsorships as an opportunity to link its values and identity with its project partners. Accordingly, under the sponsorship model companies define their scope of action to social projects that have some connections to their business activities. Also, these companies highlight that the assessment of medium-term collaborating relationships with their grantee partners is key to attain the enhancement of their corporate image and reputation. In order to attain their objectives these companies build some organizational capabilities inside the department of corporate social responsibility. Generally, they designate a responsible of coordinating and monitoring the sponsorship relationships. Neither top managers nor the rest of the organizations get involved on the sponsorship activities. For instance, Abertis has prepared a manual to guide sponsorship decisions and a set of requirements that any organization applying for the company's funding should meet. One of its primary goals is to measure the impact of these contributions on both society and Abertis itself. "It is a transparency requirement that guarantees that grantee organizations are reliable. We also ask them about their follow-up mechanisms and potential benefits for Abertis."

The social model describes companies that have decided to make long-term investments to contribute to solving a relevant social problem. They proactively develop their own projects –complex programs addressing social issues with a comprehensive, long-term approach. Those projects are consistent with the company' mission and tied to well thought-out social objectives. Hence, their emphasis is on social value creation. However, those companies 'ability to compete is not improve since they do not use their core capabilities. The desired benefits for the company are reputation enhancement, shape the corporate

culture or increase the employee motivation and commitment. Telefónica 'social programs are linked to its mission: ..."to improve people's lives, to enable the development of business, and to contribute to community progress..."Proniño, an overall program devoted to eradicate child labor and to ensure full social integration for thousands of children and teenagers in Latin America, focuses on providing thorough protection to children and teenagers involved in child labor, as well as continued schooling and enhanced educational quality by means of TICs and by strengthening social agents and institutions meant to fight against child labor.

Telefónica reinforce its philanthropy efforts through its Foundation, focusing on education by means of TICs. A global strategy was formulated, as the Foundation not only operates in Spain but also in Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela. Although each Foundation affiliate operates domestically on the basis of local issues, all share a global strategic focus, with the same mission, goals and work methods. Besides concentrating their social endeavors on a few far-reaching projects, assessing long-term collaborating relationship with NGO or similar organizations with great experience and specific knowledge on the social problem addressed. Telefónica consider key for its program success to rely on a specialized strategic partner that boosts legitimacy and ensures operating support.

It is worth to assert that some companies present characteristics related to different philanthropic management models. Such is the case of BBVA and its Integration Scholarship Program. Basically, this program provides financial aid for educational purposes to underprivileged families in order to promote their social integration. Those families receive financial aid through a bank account opened exclusively for that end. That way, they become familiar with retail bank services and potential clients. Actually, a main business objective in Latin America for BBVA is gaining access to a great portion of people that never use bank services.

BBVA business areas are engaged through its Corporate Responsibility and Reputation Committee. In addition to the corporate-level committee, this notion was replicated at country level by creating six affiliate Corporate Responsibility and Reputation Committees in Mexico, Chile, Argentina, Venezuela, Peru and Colombia. Each committee gathers all business areas in its country and is chaired by affiliates' CEOs, while each nation's corporate responsibility and reputation department serve as secretariat. Also, the company has decided that philanthropy issues will be reported to the Board, further integrating them into business matters. This way, coordination mechanisms across the company are more complex and managers from the business area are realizing that this philanthropic program is becoming key to the business in Latin America. In short, BBVA started applying a social management model that is transforming into a sustainable model.

The sustainable model encompasses leading Spanish companies which enter philanthropic activities that impact directly on their core business. Their purpose is to create social value for the community and economic benefits such as strengthening their business competences or finding new business models.

The philanthropy strategy of those companies is a carefully constructed system of interdependent parts. Moreover, all of these elements are aligned with their corporate strategy. The development of their philanthropy begins the board of directors' approval of the corporate strategy that builds on common pillars: value creation for their stakeholders, and social, environmental and economic sustainability. Philanthropy is successfully linked with corporate strategy with the open involvement of the president of the company and through diverse mechanisms such as working committees or focus group that involve business unit managers. As a result, a comprehensive view of philanthropy is articulated, focused social programs are stemmed and social targets have a place on each business unit manager's agendas. Those managers perceive social programs are a great opportunity for the development of their core businesses. Also, they consider cross-sector partnerships as a key tool to develop them. Indeed, they make important efforts in planning, structuring, nurturing and maintaining a social alliance in a manner that will enable them to fulfill important strategic objectives.

Those companies have put into place integrated governance systems that promote the collaboration in driving social efforts as an important dimension of their corporate responsibility activities. Those systems may include social boards, corporate directors, corporate and regional coordinators and business unit accountability measurement and audits.

For instance, Inditex, a fashion design, manufacturing and distribution group, has developed a social auditing program for the factories of suppliers in order to guarantee the fulfillment of the company's Code of Conduct for External Manufacturers and Workshops. The company fosters mechanisms of dialogue allowing the proactive solution of the breaches of the Code of Conduct. This audit program involves a significant allocation of human and financial resources. The direct implication of the business units has been critical for the success of this program. Besides, Inditex develops programs of philanthropic investment focused on education which aim is to improve the social and employment conditions of the communities where the company carries on its activities.

By improving living conditions for these workers, Inditex is contributing to enhancing suppliers' operating capabilities and, as a result, its production chain. In a few words, Inditex is achieving social goals as well as generating a sustainable productive environment in strategic geographical areas for its business.

Another illustrative example of integration is provided is by Ferrovial, an infrastructure company that has chosen to fully integrate its philanthropic activities to its daily operations. By engaging its employees, involving its core competencies, expertise and technological capabilities, the company has embedded its philanthropy endeavors in its business units' agendas. Coordination mechanisms are merged with the company's organizational structure. Indeed, social projects are managed like regular business projects – a strategic plan is formulated; a project manager is assigned, and specific objectives are established to monitor progress. For instance, Ferrovial has put together with AMREF Foundation-Flying Doctors the project called Maji ni Uhai (Water is life) to improve health and living conditions in beneficiary communities in the Mara region, northeast of Tanzania, through

a safe drinking water supply and the creation and improvement of health care infrastructures, as well as education and awareness raising for changing habits. This project is the result of the combination of Ferrovial core professional skills and AMREF Foundation's specific knowledge about socio-economical characteristics of poor and marginalized areas of Tanzania.

Through improved hygiene practices, the aim is reduce the rate of water-borne diseases, thus improving the quality of life of the region's inhabitants and increasing their life expectancy. To attain these objectives, the project also includes reinforcing the capacities of the Public Institutions responsible for managing the infrastructures that are built. Ferrovial seeks to build ties with developing nations that may offer investment opportunities in the future in congruence with its corporate strategy of diversifying its business and moving into other countries.

Conclusion and further research

This paper provides an exploratory analysis of patterns in the philanthropic investments of the largest corporate philanthropists in Spain and in the United States in an economic crisis framework. Our findings highlight significant similarities between Spanish and U.S corporate philanthropy: Basically, the economic downturn is not affecting them as much as it was predicted.

The second conclusion is that there is still a gap between US and Spain corporate philanthropy investments however, the median philanthropic investments per Spanish company follows a ring trend.

Third, it seems like that Spanish and U.S companies that are managing philanthropy in a more sustainable way are not decreasing their philanthropic investments despite sinking profits and rising uncertainty.

Nevertheless, to found out the net effect of crisis we need to track corporate philanthropy trends during next three years through a quantitative study to determine the increase of corporate philanthropy. At the same time, it would be necessary a qualitative study to verify that companies are adopting a strategic perspective in their philanthropy management.

Companies in the same industry often share philanthropic goals and focus areas, have overlapping stake-holders, and face similar business challenges (CECP, 2009). Therefore, longitudinal studies by industry would allow a thorough understanding of the corporate philanthropic investments trends at a global level. However, we have not found such kind studies in the literature. In that matter, it would be interesting to start a study among the ten biggest global companies of the oil and gas global sector.

Figure 30: Top 10 oil and gas operations biggest companies in 2008.

	RANK	COMPANY	COUNTRY	INDUSTRY	SALES (\$BIL)	PROFITS (\$BIL)	ASSETS (\$BIL)	MARKET VALUE (\$BIL)
1	2	Royal Dutch Shell	Netherlands	Oil & Gas Operations	458.36	26.28	278.44	135.10
2	4	ExxonMobil	United States	Oil & Gas Operations	425.70	45.22	228.05	335.54
3	5	BP	United Kingdom	Oil & Gas Operations	361.14	21.16	228.24	119.70
4	9	Chevron	United States	Oil & Gas Operations	255.11	23.93	161.17	121.70
5	11	Total	France	Oil & Gas Operations	223.15	14.74	164.66	112.90
6	18	ENI	Italy	Oil & Gas Operations	158.32	12.91	139.80	80.68
7	25	Petrobras-	Brazil	Oil & Gas Operations	92.08	14.12	120.68	110.97
8	53	StatoilHydro	Norway	Oil & Gas Operations	93.38	6.20	82.42	53.30
9	101	Repsol-YPF	Spain	Oil & Gas Operations	68.48E	3.95	68.79	18.95
10	124	EnCana	Canada	Oil & Gas Operations	30.06	5.94	47.25	29.69

Source: Forbes, 2009.

Note: Companies from China and Russia are excluded from the list since they do not have a philanthropy tradition.

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