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## The competitive advantage of positive stakeholder returns on strategic philanthropy

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### Abstract

The purpose of this study examines the critical changes of strategic philanthropy prevailing in the US industry in the post recession period between 2008-2011 specific to the selected information technology firms with regards to school of thought that returns has positive effect on strategic philanthropy. Specifically this study focus on Measurement of the impact of strategic philanthropy behavior on profitability measures: Return on Assets (ROA), and Return on Equity (ROE). This study also aims to measure Gross margin and Turnover as a model of strategic philanthropy in the selected firms. This research jumpstart with audited consolidated financial statement of 59 listed companies comprising of 471 subsidiaries that were operating in the four years under study to obtain the secondary data. Initial approach of Statistical analysis method using IBM SPSS version 21 is used to analyze the data obtained from the secondary source. Simple and Multiple Regression Analysis; Multiple Discriminant Analysis are used to evaluate categorical data; Factor Analysis are used to analyze the relationship between the variables and examine the relationship between elements that make up a particular variable; ANOVA tests is also used to determine how the various groups within the data collected may have greater or lesser influence on the success of strategic philanthropy as discretionary management tool. The research findings reveal that strategic philanthropy do not impact the firm performance positively. There was no evidence to proof this hypothesis. Based on the research findings, directions for future research are discussed.

**Keywords:** Strategic philanthropy-Test, Kurtosis, Skewness, Homoscedasticity

### Introduction

#### Research Backgrounds and Motives

Strategic philanthropy as a new wave has not become so common in contemporary business world. Barnes (2005) mentioned that this new wave of corporate philanthropy has its own ideological foundations that date to 2002. The study of the subject then took a full swing until the recession where the expectation for its trend dwindled. This introduction is the part of the paper that provides the background information for the research.

#### Statement of the Problem

This problem statement describes the context for the study and it also identifies the general analysis approach" (Wiersma, 1995). Therefore, there remains a gap in the research to assess the situation of philanthropy aftermath of recession to study whether the same trend continues with the great awakening of the financial loss of the corporations. This research project in the nutshell examines the state of philanthropic behavior as prevailing in the US industry in the post recession period between 2008-2011 specific to the information technology industry.

#### Purpose of the study

The rationale behind this research is to provide a specific and accurate synopsis of the overall purpose of the study (Locke, Spirduso, & Silverman, 1987). The purpose of this study examines the critical changes of strategic philanthropy in the selected corporations in the information technology industry in the United States after post recession between 2008-2011. Strategic philanthropy is a unique and powerful way where corporations change their philosophy of giving from one of pure generosity to one that aligned charity with commercial objectives. Measurement of the impact of strategic philanthropy will be on profitability measures: ROA, ROE, as dependent variables and gross margin, and Turnover as independent variables.

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## Research Questions and Hypothesis

### Research Questions

To prevent truisms, tautologies and contradictory statements (Rajan, 1996), this research will have single null hypotheses. With recent severe recession period, there has not been enough research to offer evidence that strategic philanthropy in such an undesired period by the firms will negatively or positively impacts performance of the firm. Therefore, the null hypothesis of this study is simply:

### H1: Adaptation of Strategic Philanthropy Positively Impacts Performance of Returns in the Recession.

#### Organization of the study and Research procedures

This study is organized into five chapters. Chapter I - introduction. Chapter II - review of relevant literatures. Chapter III - methodology and the data collection. Chapter IV, outline the results of the data collection and analysis. Chapter V, the final chapter, presents the conclusion of all the findings.

#### Significance of the study

This study measures performance by the use of internal and external financial metrics which is not synonymous with other studies. It also aims to contribute to academic literature and bridge the knowledge gap on strategic philanthropy which can be very resourceful to future studies in terms of organization and the level of academic citation for future research purposes.

#### Limitations and Delimitations

This study examines the relationship between strategic philanthropy and firm's performance in the recession period in the United States of America. Non listed high-tech firms are not included in the sample size for this study. Because of these limitations, certain literatures written and published outside United states were not being reviewed.

#### Literature Review

##### The theoretical framework and empirical studies

Theoretical framework and concept on strategic philanthropy are potentially more closely related to CSR (corporate social responsibility) Strategies than many other indicators because they are not closely related to operational aspects of a company's management, and are often planned and implemented at very senior levels within donor companies? In concept, strategic philanthropy was not initially mentioned in corporate financial performance. It is very evident that strategic philanthropy is sometimes difficult to measure because it's not usually assumed to be financial. That makes this piece of academic research a very vital and significant and expected to add a very unique contribution to academic literature. However, in order to use a common unit of measurement procedure, how much must be donated to improve profitability and to what extent and to which organisation. It is very obvious that the measurement procedure must be objective and quantifiable in financial terms. Hasenfeld and Gidron (2005) found out that a first step in formulating a more comprehensive theoretical framework to study multipurpose hybrid organizations is to recognize that they deliberately incorporate a mix of organization; features from volunteer-run associations, social movements and non profits service organizations.

Riecken and Yavas (2005) has been one prominent advocate of this view of strategic philanthropy. They said that it is very obvious that why Americans money do not go unprotected by

the various legislative instrument. The legal framework has seek to the enactment of certain laws to spike the enthusiasm of donors for a just course. Certain mandatory audit by independent auditors are necessary to boost public confidence. The recent atrocity and unscrupulous act of some profit seeking firms led to the enactment of sarbenes-Oxley act (2002) which also tries to streamline the activities of non-profit organizations. The legal framework has not only restricted the approach of corporate doing but has also created a room for benefit and more clear and unselfish way to recoup corporate philanthropy. Hillman and Keim, (2001) similarly, asserted that an international corporate giving program may provide some value to shareholders in the form of tax deductions. Gardberg and Fombrun (2006) also mentioned that, in the United States firms can deduct philanthropic contributions, up to 5 percent of profits. Ghemawat (2001) studied that the amount of trade that takes place between countries 5000 miles apart is only 20% of the amount that would be predicted to take place if the same countries were 1,000 miles apart. Furthermore, Walsh, Weber and Margolis (2003), mentioned that more than other university departments, business schools have come to rely on business philanthropists and corporations for support. The AACSB (advance collegiate schools of Business) provides a list of more than 1.6 billion dollars worth of donations to business schools in the united States since 1984 (with exception of the university of Toronto, all of the universities are in the united States.)

Contrarily, Edward and Shleifer (2001) brought a fresh perspective of charitable contribution in the form of time and examined that perhaps the greatest contributions to the non-profits come from the millions of volunteers, who donate non-deductible time rather than the possibly deductible money, and who account for nearly forty percent of the non-profits' labor input. The tax story thus does not appear to be at the heart of the matter. In applying strategic philanthropy to nonprofit firms, Pauly (1987) carefully distinguished nonprofit firms and classified this thought that there are three major differences in the institutional constraints facing a not-for-profit firm, as compared to the neoclassical for-profit firm. First, not-for-profit firms must look to donations for initial equity capital; they do not have the power to obtain capital in return for the promise of a share of the residual income of the firm. Second, not-for-profit firms are not permitted to pay out as cash dividends any revenues in excess of production costs and cost of debt; residual returns are not alienable. Legal rules even inhibit the ability of managers of the firm to add profits to their salaries ex post. Third, not-for-profit firms cannot be sold or liquidated for proceeds to be paid to a set of individual owners. Vermeer, Raghunandan and forgione (2009) reiterated that these acts have led to the enactment of Nonprofit Integrity Act (NIA 2004) of California which require that with effect from January 2005, non-profit organizations with gross revenues of \$2 million or more prepare financial statements that are in accordance with GAAP and also audited by an independent public accountant. In addition, the Nonprofit Integrity Act (NIA 2004) requires organization to establish independent audit committee which will be responsible for hiring and compensating the independent auditor. Bois, et al (2009) contrasted the objectives where in profit seeking, shareholders all share the objective of profit maximization, the different stakeholders in the Not for profit organization do not have such an overarching objective. According to Das (2009), most of the philanthropic acts flow from profit to another profit or educational institution with the neglects of

the non-profit sector. Private non -profits accounted for approximately sixty percent of hospital facilities and seventy percent of hospital beds in the United States in the year 2000. Seaman (2004) expanded this thought and examined that the dearth of competitive analysis in the non-profit arts is, in fact, rarely even noticed. Many of the organizations in the non-profit sector receive little or no philanthropic from the counterparts on the profit and they experiencing growing frustrations about funds management to run their operations. Foster and Bradach(2005) examined that eager to reduce their dependence on fund-raising, more and more nonprofits are launching earned-income ventures-with disappointing results. Letts, Ryan and Grossman(1997), in 1995 alone, foundations invested more than \$10 billion in programs dealing with for example, poverty, homelessness, the environment, education and the arts. Even as these large sums of money are put to work, however, many people in the non-profit field are reporting a growing frustration that their programs' goals, although valuable and praise worthy, are not being achieved. Many social programs begin with high hopes and great promise, only to end up with limited impact and uncertain prospects. According to Dess and Robinson,(1984), it is apparent organizational performance is complex and multidimensional phenomenon regardless of the framework chosen to conceptualize it.

#### **Empirical studies on strategic philanthropy**

There has been enormous interest in creating strategic philanthropy metrics and finding an empirical link between these metrics and the firm performance. Some of these metrics are not straightforward to assimilate depending upon the indicators used for measurement. Ferguson, Deephouse and Ferguson (2000) stated that at the firm level, identity, strategy and reputation have been connected theoretically and empirically. Griffen (2004) in his research study mentioned that empirically there's a significant gap in our knowledge concerning the effect of restructuring on corporate philanthropy because both phenomena tend to be examined separately in their respective academic discipline. It is on this premises that this piece of academic thesis emanated. Berman, wicks, Kotha and Jones(1999) drew a result that scholars wishing to do empirical work on stakeholder management have had little to go on except broadly defined models of stakeholder-related behavior. Mark and pauly(1987) provided a different view that one clear message from recent work is that, despite the anomalous character of the not-for-profit form, theory does not predict wide differences in behavior at the level of the market, nor does empirical evidence suggest that large differences do occur. This does not matter with the geographical location because sometimes which is being perceived is non synonymous to the events happening in the real world situation. However, in narrating the empirical studies in Africa Henderson (2002) mentioned that Non-governmental religious organizations typically de-emphasized in analyses of civil society where often themselves the foundation for local government activities.

On the contrary, Americans have traditionally been generous with their time and money. For instance, according to a survey by the Johns Hopkins University, 73% of Americans gave money to charity in 1999, which was equivalent to one-third of the domestic federal budget, or 20% of the national income (Greenfield 2000). Historically, faith based giving dominates in the United States with 43% of all charitable contributions. However, there are indications that strategic philanthropy in

particular appears to be heading for a period of significant change, especially from the standpoint of non-faith based organizations (Berman, Brooks and Murphy -2006).

According to Gardberg and Fombrun, (2006) between 1995 and 2000, U.S charitable giving from all sources increased an estimated 17.5 percent, to an annual 2 percent of the U.S gross domestic product. Kaplan and Norton, (1996) in their study pointed out those companies around the world transform themselves for competition that is based on information, their ability to exploit intangible assets has become far more decisive than their ability to invest in and manage physical assets. For example, (Arthur, 1996) cited America Online as building up a lead of more than 4.5million subscribers by giving away free services. But because of the internet's dominance, it is not yet clear it can transform this huge base into later profits. Eccles (1991) examined that within the next five years, every company will have to redesign how it measures its business performance. Brammer ,Pavelin and porter(2008) stated that firm-level charitable giving is reported in the Annual Report of each company. Their findings suggest that corporate charitable giving is influenced by the attributes of the country in which the firm is present that is associated with the most acute lack of political rights or civil liberties. Krishnan, Joshi and Krishnan (2004) added similarly, donations from private philanthropic organizations are often conditional on providing indigent care. Amit and Schoemaker (1993), further evidence that, in essence, firms develop specialized assets to enhance profits at the price of reduced flexibility in the face of Schumpeterian shocks. It may well be that firms with available resources may choose to spend those resources on doing good by doing well and that those resources allocation may result in improved Corporate social performance overall. However, Waddock and graves (1997) noted that confusion about corporate giving terminology arises when a sponsored activity, judged by its outward characteristics appear to fall into more than one category. Smus (2011) examined that strategic philanthropy today is united with business and supports the acquisition of future customers and new markets by way of building trust and credibility. Leisinger (2007) mentioned that a commitment to corporate philanthropy is ideally a conscious choice of top management, based upon an informed decision founded on sound analysis of alternative causes, objectives, time frames and resource commitments. Wang, Choi, and Li (2008) argued that on one hand, corporate philanthropy enhances a firm's financial performance by enabling the firm to gain greater control over stakeholder resources. On the other hand, as the amount of philanthropic contributions continues to increase, agency costs and direct costs eventually become dominant. Porter and Kramer (2011) mentioned that shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. It is not on the margin of what companies do but at the center, implying that philanthropy is very central to the organization development. Mcgregor and Ryan (2009) in their empirical studies stated that of reducing the compliance burden of this organization and mentioned that two recent studies in 2006 affirm high compliance burden on donor organizations. Ackerman (1996) clarify this by saying that the relative importance of public funds, private gifts, and fees or charges differs across countries. Nowhere is private charity so important as in the United States. According to Keeler ,Melnick and Zwanziger(1999) in their empirical studies cited California as becoming the first state to pursue health care reform through market based pro-competition policies in

1982. California adopted a law to encourage increased price competition in the health care sector by allowing insurance companies to selectively contract with providers. Feldstein(1971) suggested that the rapid cost of hospital cost has become a major problem of public policy .In 1970, hospital service costs has become a major problem of public policy. Adamache and Sloan(1983) also reiterated that according to 1979 American Hospital Association(AHA) survey of hospital-Blue Cross contract provisions, retrospective charge-based contracts are the most common( in terms of actual contracts) .Most of these contracts pay 100 percent of hospital charges incurred on behalf of covered patients. Those which do not pay 100 percent typically receive an absolute discount of two or three percent of charges. However, Hume, Mort, Liesch and Winzar(2006) conducted a detailed research in hospital setting and it was found that evoked emotions significantly influenced loyalty behavior with relational factors, those delivered from personnel, most strongly influencing emotions. Kornai (1979) summarized this in his research and pointed out that in order to avoid misunderstandings, it should be noted that if an economy is qualified as a resource –constrained system, this does not mean that in such an economy all resources are utilized at 100 percent at every moment. The relationship can be rigorously proved theoretically, and is also empirically verifiable.

**Research Methodology**

**Research Design and Approach**

According to Wiersma, (1995), the methods or procedures section is really the heart of the research project.

**Sampling**

An initial selection of fortune 500 companies operating in the information technology industry in the United States were selected. Out of these, the financial data was pulled out from the individual company’s website and Edgar /SEC database for the four year period (2008-2011) for 59 companies having 471 subsidiaries included in their consolidated statements of operations.

**Assumptions**

The main criteria that were used for the inclusion of a firm in a study are:

1. All firms included in the sample must be in operation for the four year between 2008-2011
2. All firms must be listed on US securities Exchange commission and their statements of operation available.

The research sample was subdivided into two: Group 1 consist of firms using the strategic philanthropy in achieving its’ firm’s objectives which were found to be 54 out of 59 firms and group 2 were those that did not adopt the strategy in achieving its firm’s objectives which were found to be 5 out of 59 firms selected.

**Research Instrumentation**

Dependant variables used with this study are: ROA–Return on Assets, ROE,-Return on Equity, Independent variables used with this research are gross profit margin (M), and Turnover Ratio (TR)

**Data Collection Procedure**

Brammer, Pavelin and porter (2008) stated that firm-level strategic philanthropic activities is reported in the Annual Report of each company. So the financial data of each firm would primarily be the major source of information for the

study. Financial data was obtained from US Securities and Exchange Commission (SEC)/Edgar Electronic database on corporate filling. Corporate filling information is reported on form 10K.

**Validity**

“The validity of a measurement instrument is the extent to which the instrument measures what it is supposed to measure. Reliability is the consistency with which a measuring instrument yields a certain result when the entity being measured hasn’t changed” (Leedy & Omrod, 2005, p.28-29). To ensure internal validity, accounting measures are used to measure performance and the variables predicting performance. External validity was ensured by choosing firms in the fortune 500 companies in the information technology company for the study. This makes it easier for generalization of results. Reliability was ensured in this study by adhering to the same procedure in collection of financial data on firms and the performance of the statistical analysis for each of the dependent and independent variables selected for this study.

**Results of Study**

**Data Analysis and Statistical Analysis Tool**

IBM SPSS version 21 was used to analyze the data collected to provide various information needed for the study. Preliminary data analysis revealed the following descriptive statistics for the 59 firms selected in the sample in the information Technology industry in the adaptation of strategic philanthropy during the recession.

Descriptive Statistics for the information Technology firms selected in the sample in the recession (in million Dollars).

Statistics		ROA	ROE	SPP
N	Valid	59	59	59
	Missing	0	0	0
Mean		.035712	-.17737	12.69105
Median		.030000	.02000	3.25000

**Fig 1:** Dependant variables

The first and initial analysis indicates a positive overall performance for the four year period of 2008-2011 in terms of external measures with exception of return on equity which recorded a negative mean of -.177. Strategic philanthropy was however high with a mean of 12.691

Descriptive Statistics for the information Technology firms selected in the recession (in million Dollars)

Statistics		SPP	Margin	Turnover
N	Valid	59	59	59
	Missing	0	0	0
Mean		12.69105	.35261	7.58822
Median		3.25000	.32000	2.54000

**Fig: 2** Independent variables

The second initial data analysis of firms selected in the sample in the information Technology industry indicates a positive overall performance for the four year period of 2008-2011 in terms of internal measures. All two independent variables as performance measures compared with strategic philanthropy recorded a positive variables for margin, with positive mean values of .352. Turnover ratio was however high with a mean of 7.588

However, according to (Tabachnick, & Fidell, 2007,) although normality of the variables is not always required for analysis; the solution is usually quite a bit better if variables have normal distribution. It follows that if variables are not the

same, some of the variables will be too peak or skewed positively or negatively and this will affect the solution. A normal distribution for figure 1 and figure 2 will provide a better view in appearance.

Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Zscore(ROA)	59	-2.74954	3.66611	.0000000	1.0000000	.456	.311	2.489	.613
Zscore(SPP)	59	-.42820	6.17140	.0000000	1.0000000	4.688	.311	25.988	.613
Zscore(ROE)	59	-5.13431	1.82184	.0000000	1.0000000	-4.125	.311	19.373	.613
Zscore(Margin)	59	-1.92532	2.75342	.0000000	1.0000000	.447	.311	-.480	.613
Zscore(Turnover)	59	-2.75208	4.85405	.0000000	1.0000000	3.050	.311	13.640	.613
Valid N (listwise)	59								

Fig: 3 Logarithmic Transformation of Variables (Z score) and Trim mean

Correlations among Variables

		ROA	ROE	SPP	Margin	Turnover
ROA	Pearson Correlation	1	.317*	.200	.107	-.076
	Sig. (2-tailed)		.014	.129	.420	.566
	N	59	59	59	59	59
ROE	Pearson Correlation	.317*	1	.092	-.028	-.046
	Sig. (2-tailed)	.014		.490	.835	.730
	N	59	59	59	59	59
SPP	Pearson Correlation	.200	.092	1	-.075	.001
	Sig. (2-tailed)	.129	.490		.571	.992
	N	59	59	59	59	59
Margin	Pearson Correlation	.107	-.028	-.075	1	-.060
	Sig. (2-tailed)	.420	.835	.571		.651
	N	59	59	59	59	59
Turnover	Pearson Correlation	-.076	-.046	.001	-.060	1
	Sig. (2-tailed)	.566	.730	.992	.651	
	N	59	59	59	59	59

Fig: 4 (Z scores)

**Hypothesis testing**

A total of 59 firms with 471 subsidiaries in the information Technology industry are included in the sample list wise to test for the group mean. These 59 firms gave a total of 472 cases with the four dependent variables (ROA, ROE,) and the two independent variables (SPP, gross Margin, Turnover Ratio) .Conducting a t -test with the selected sample size is the one of the best way to answer the research question by quantitative means.

H1: *adaptation of strategic philanthropy positively impacts performance of returns in the recession.*

Hypothesis Testing for H1: *adaptation of strategic philanthropy positively impacts performance of returns in the recession.*

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Zscore (ROA)	59	-2.74954	3.66611	.0000000	1.0000000
Valid N (listwise)	59				

Fig: 5 (T-Test for ROA Group Mean)

The descriptive statistics in figure 5 is as a result of IBM SPSS version 21 calculation of the minimum value, maximum value, sample mean and standard deviation for the whole

sample when looking for mean difference in ROA as the first external dependant variable in this analysis.

Group Statistics for strategic philanthropy adaptation and non-adaptation firms in the recession

	SPP	N	Mean	Std. Deviation	Std. Error Mean
Zscore(ROA)	>=0.2m	54	-.0079411	1.00383120	.13660412
	< 0.2m	5	.0857642	1.06688007	.47712327

Group statistics is the result of IBM SPSS version 21 calculation of sample size, sample mean, standard deviation and standard error mean. 59 firms constitute the sample of which 54 firms in some way used strategic philanthropy

during recession forming group 1 ( with a cut off amount equal or greater than \$0.2million ) and only 5 firms forming (group 0) did not adapt the strategic philanthropy as a new wave.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Zscore (ROA)	Equal variances assumed	.058	.811	-.199	57	.843	-.09370528	.47137897	-1.03762538	.85021482
	Equal variances not assumed			-.189	4.680	.858	-.09370528	.49629357	-1.39613216	1.20872160

The t test value in the figure 5 continued with equal variances assumed as -.199; this falls in the left hand rejection region for any commonly used  $\alpha$ , and the p value is .843  
 The p value of .843 implies that, the difference between the two means is not statistically significantly different from zero at the 5% level of significance. There is an estimated change of -.093% (SE = .471%). However, there is insufficient evidence (p = .843) to suggest that Strategic philanthropy does impact firms performance. One can conclude that the mean of the Strategic philanthropy group is lesser than the mean of the non strategic philanthropic group. However, positive difference in mean between the two groups is statistically

insignificant. Based on a confidence level of 95% and a confidence interval of [-1.03, .850] one can say that Strategic philanthropy does not positively impact firm performance. The H1 hypothesis is then rejected  
 H1: Adaptation of strategic philanthropy has positive impact on performance of the firm in the recession.  
 H1:  $\mu_1 - \mu_2 > 0$  Rejected

Hypothesis Testing for H1: *adaptation of strategic philanthropy positively impacts performance of returns in the recession.*

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Zscore(ROE)	59	-5.13431	1.82184	.0000000	1.0000000
Valid N (listwise)	59				

Fig: 6 (T-Test for ROE Group Mean).

The descriptive statistics in figure 6 is as a result of IBM SPSS version 21 calculation of the minimum value, maximum value, sample mean and standard deviation for the whole sample when looking for mean difference in ROE as the second external dependant variable in this analysis.

Group statistics is the result of IBM SPSS version 21 calculation of sample size, sample mean, standard deviation

and standard error mean when testing for mean difference in ROE with Strategic philanthropy as the main variable. 59 firms constitute the sample of which 54 firms in some way used strategic philanthropy during recession forming group 1 (with a cut off amount equal or greater than \$0.2million) and only five companies forming (group 0) did not adapt the strategic philanthropy as a new wave.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Zscore (ROE)	Equal variances assumed	.304	.584	-.291	57	.772	-.13712405	.47119242	-1.08067061	.80642250
	Equal variances not assumed			-.653	12.812	.525	-.13712405	.20991063	-.59128474	.31703663

The t test value in the figure 6 continued with equal variances assumed as -.291; this falls in the left hand rejection region for any commonly used  $\alpha$ , and the p value is .772  
 The p value of .772 implies that, the difference between the two means is not statistically significantly different from zero at the 5% level of significance. There is an estimated change of -.137% (SE = .471%). However, there is insufficient evidence (p = .772) to suggest that Strategic philanthropy does impact firms performance. One can conclude that the mean of the Strategic philanthropy group is lesser than the mean of the

non strategic philanthropic group. However, positive difference in mean between the two groups is statistically insignificant. Based on a confidence level of 95% and a confidence interval of [-1.08, .806] one can say that Strategic philanthropy does not positively impact firm performance. The H1 hypothesis is then rejected.

H1: *adaptation of strategic philanthropy positively impacts performance of returns in the recession* is rejected

Figure 7

Regression Analysis with ROA as first external Dependent Variable

A standard multiple regression analysis was performed between ROA as the dependent variable and SPP, margin and Turnover. Analysis was performed using SPSS REGRESSION and SPSS EXPLORE. As a result of evaluation of assumptions of regression, the variables were transformed using logarithmic transformation. This was done to reduce the number of outliers, reduce skewness, reduce kurtosis, and improve normality, linearity, and homoscedasticity of residuals.

Regression Analysis with ROA as Dependent Variable

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	Zscore(SPP), Zscore(Margin), Zscore(Turnover) <sup>b</sup>		Enter

a. Dependent Variable: Zscore (ROA)

b. All requested variables entered.

*Coefficients<sup>a</sup>*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	1.000E-013	.128		.000	1.000	-.256	.256			
	Zscore(SPP)	.191	.136	.191	1.400	.167	-.082	.464	.107	.187	.180
	Zscore(Margin)	.070	.153	.070	.456	.650	-.237	.377	-.076	.062	.059
	Zscore(Turnover)	-.265	.158	-.265	-1.681	.098	-.582	.051	-.171	-.223	-.216

Figure 8 shows the correlation between the variables and the unstandardized regression coefficients (B) and the intercept, the standardized regression coefficients ( $\beta$ ), the partial correlation,  $R^2$ , and adjusted  $R^2$ . R for the regression was significantly different from zero,  $F(4, 54) = 1.610, p < .001$ , with  $R^2$  at .107 and 95% confidence levels. The adjusted  $R^2$  value .040 indicates less than a tenth of the variability in performance (ROA) is predicted by SPP, Margin and Turnover. For the two regression coefficients that differed significantly from zero, 95% confidence limits were calculated. The confidence limits for (log) of SPP were [-.082, .464]. The (log) of Margin were [-.237, .377] and that of Turnover is (-.582, .051) respectively.

Figure 8

Regression Analysis with ROE as Dependent Variable

A standard multiple regression analysis was performed between ROE as the dependent variable and SPP, Margin and Turnover as independent variables

Analysis was performed using SPSS REGRESSION and SPSS EXPLORE. As a result of evaluation of assumptions of regression, the variables were transformed using logarithmic transformation. This was done to reduce the number of outliers, reduce skewness, reduce kurtosis, and improve normality, linearity, and homoscedasticity of residuals.

Regression Analysis with ROE as Dependent Variable

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.326 <sup>a</sup>	.107	.040	.97962016

a. Predictors: (Constant), Zscore(SPP), Zscore(Margin), Zscore(Turnover)

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.179	4	1.545	1.610	.185 <sup>b</sup>
	Residual	51.821	54	.960		
	Total	58.000	58			

a. Dependent Variable: Zscore(ROA)

b. Predictors: (Constant), Zscore(SPP), Zscore(Margin), Zscore(Turnover)

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	Zscore(ST), Zscore(Margin), Zscore(Turnover) <sup>b</sup>		Enter

a. Dependent Variable: Zscore(ROE)

b. All requested variables entered.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.107 <sup>a</sup>	.011	-.062	1.03045396

a. Predictors: (Constant), Zscore (SPP), Zscore(Margin), Zscore(Turnover)

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.661	4	.165	.156	.960 <sup>b</sup>
	Residual	57.339	54	1.062		
	Total	58.000	58			

a. Dependent Variable: Zscore(ROE)

b. Predictors: (Constant), Zscore(SPP), Zscore(Margin), Zscore(Turnover)

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-1.000E-013	.134		.000	1.000	-.269	.269			
	Zscore(SPP)	-.030	.143	-.030	-.208	.836	-.317	.257	-.028	-.028	-.028
	Zscore(Margin)	-.059	.161	-.059	-.365	.716	-.382	.264	-.046	-.050	-.049
	Zscore(Turnover)	.022	.166	.022	.132	.896	-.311	.355	-.010	.018	.018

Figure 9 shows the correlation between the variables and the unstandardized regression coefficients (B) and the intercept, the standardized regression coefficients ( $\beta$ ), the partial correlation,  $R^2$ , and adjusted  $R^2$ . R for the regression was significantly different from zero,  $F(4, 54) = .156, p < .001$ , with  $R^2$  at .011 and 95% confidence levels. The adjusted  $R^2$  value -.062 indicates less than a tenth of the variability in

performance (ROE) is predicted by SPP, Margin and Turnover.

Sensitivity Analysis

The final regression model with ROA as dependent variable and Margin and Turnover as independent variables reveals the following results.

Regression Model Summary with Margin and Turnover as Independent Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.128 <sup>a</sup>	.016	-.019	1.00935563	.016	.465	2	56	.631

Fig: 12((Final)

- a. Predictors: (Constant), Zscore(Margin), Zscore(Turnover)
- b. Dependent Variable: Zscore(ROA)

R for the regression was significantly different from zero,  $F(2, 56) = .465, p < .001$ , with  $R^2$  at .016 and 95% confidence levels. The adjusted  $R^2$  value -.019 indicates about 1.9% of the

variability in performance (ROA) is predicted by Margin and Turnover.

Regression Model Summary with Margin as Independent Variables (Final)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.107 <sup>a</sup>	.011	-.006	1.0029447	.011	.660	1	57	.420

Fig: 13(Final)

- a. Predictors: (Constant), Zscore(Margin),
- b. Dependent Variable: Zscore(ROA)

Controlling for Margin alone in the regression model reveals the following results;

R for the regression was significantly different from zero,  $F(1, 57) = .660, p < .001$ , with  $R^2$  at .011 and 95% confidence levels. The adjusted  $R^2$  value -.006 indicates less than 1% in

performance (ROA) is predicted by margin. Margin therefore has less significant impact in the regression equation in predicting performance.

Regression Model Summary with Turnover as Independent Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.076 <sup>a</sup>	.006	-.012	1.0058024	.006	.333	1	57	.566

Fig 14: (Final)

- a. Predictors: (Constant), Zscore (Turnover),
- b. Dependent Variable: Zscore(ROA)

Controlling for Turnover alone in the regression model reveals the following results:

R for the regression was significantly different from zero,  $F(1, 57) = .333, p < .001$ , with  $R^2$  at .006 and 95% confidence levels. The adjusted  $R^2$  value -.012 indicates about 1.2% in

performance (ROA) is predicted by Turnover. Turnover therefore has less significant impact in the regression equation in predicting performance.



**5.1 Summary, Conclusion and Recommendations**

The key findings of this study reveals that in the information technology industry, there is no enough evidence to support the hypothesis that adaptation of strategic philanthropy positively or negatively impact performance in the quantitative measure. The overall result shows some significant trend though statistically insignificant but practically significant but not to generalize for the industry.

**Table: 1** Summary Table for Results of Hypothesis Testing

Hypothesis	Statistical Technique	Result
H1: SPP positively impacts performance of returns in the recession.	Multiple regression	rejected

The findings of this study will help in mitigating fear among critics and those on the school of thoughts who blame the concept on top management for using them to redeem their fallen image, and wastefully utilize shareholders money with no immediate and direct return. This study will make significant contribution to literature because it uses combination of statistical tools for quantitative measure.

This study has contributed immensely to literature by examining the essence of strategic philanthropy in the information Technology industry for the sample selected. Further research in un-explored areas will be beneficial to literature. Studies on improvement on reporting metrics and tracking and focus on accountability and strategy, measurement and the creation of a new philanthropy strategy for the companies in the strategic focus areas are key areas that will be beneficial to literature and to prospective investors in the future.

Secondly, future research should focus not only on firms that utilize the strategic philanthropy, but also on firms that have particularly not sterilize the new wave with dynamic leadership .This is because many firms in the US, Europe and Asia are now adopting a hybrid model of a strategic philanthropy, whose measurement from the global reporting perspective are not straight forward.

Thirdly, a comprehensive study involving a large sample survey of corporate top executives on the topic of strategic philanthropy during the recession in particular will also contribute to literature and add extensive information to this study for future researchers.

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