

The Corporate Perspective of Micro-donations – A Technical Solution for a Societal Problem

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Abstract—Modern companies are more and more understanding the importance of sustainability and CSR practices implementation in their operational activities. The triple bottom line approach that considers ecological, economical and societal outcomes, is now considered by businesses on various levels – from product development and supply chain management to HR management and PR activities. As a result of stakeholder pressure, many companies understood that being a good employer means much more than just paying salaries on time – it also involves participation in the life of a wider range of company's stakeholders. At the same time companies stop considering CSR practices as an imposed burden, but start seeing them as a contribution to an improvement of corporate image and contribution to company's success.

The current paper is aimed at understanding a contribution of voluntary micro-donations, such as rounding-up of invoice amounts, to CSR strategy of retail trade companies. It answers the following research questions:

1. What are different motivations of corporations for implementing micro donations?
2. Which customers' needs are addressed by this form of corporate activity?
3. How micro-donations differ from other corporate-driven strategies of corporate giving?

To answer the research questions, this article will address scientific literature on CSR, corporate welfare and corporate giving and consider German micro-donation initiative DEUTSCHLAND RUNDET AUF (DRA; Germany Rounds UP). Analyses of potential risks and challenges associated with the usage of micro-donations, as well as description of experiences of corporations taking part in the initiative are considered to provide contributions to the practitioners in the field.

Keywords— Technical Solution; CSR; Philanthropy, Micro-Donations, Intention-Behavior-Gap.

I. INTRODUCTION - DEUTSCHLAND RUNDET AUF – GERMANY ROUNDS UP

Germany rounds up (own spelling "GERMANY ROUNDS UP") is a donation campaign of Germany rounds on charitable foundation GmbH with its seat in Berlin. The campaign was founded in March 2012 by Christian Vater, Matthias Dammann and Henryk Seeger and is co-financed by a Social Venture Fund.

Retail customers are offered the option of rounding up the final amount by a maximum of 10 cents with the words "Round up please!" During payment. This amount is transferred to the Germany rounds on charitable foundation GmbH in Berlin and

are given, according to its own statements, 100 per cent to projects for socially disadvantaged children in Germany.

According to that data, the fundraiser managed to generate a total of nearly 9.5 million euros in the period from 01.03.2012 to 31.08.2019 based on a figure of 199 million rounds (Deutschland-rundet-auf.de, 2019).

Micro-donations describe the concept of donating minor, monetary amounts. In the course of this work, the implementation of micro-donations by rounding up in the purchase-process of consumer goods is described. The initiative DEUTSCHLAND RUNDET AUF (Germany Rounds Up) offers a system of micro-donations which is implemented in the purchase process at the point-of-sale. It gives customers the option to donate a few cents with every purchase automatically, by donating the amount of cents that bridge the gap towards the next full-euro amount.

II. CSR & CORPORATE PHILANTHROPY

The European Commission defines Corporate Social Responsibility in 2011 as "the responsibility of enterprises for their impacts on society" and, moreover, as a "process to integrate social, environmental, ethical and human issues into their business operations and core strategies" for close interactions with their stakeholders "(Karlshaus & Mochmann, 2019).

CSR has gained increasing attention in recent years and is currently not only being implemented in global corporations, but also increasingly in small and medium-sized companies. It is understood to mean a business model that combines social and ecological goals with economic activity (Leitl, 2005). A key reason for the increasing orientation towards corporate social responsibility is that it is expected to progressively be accepted by the population (Lin-Hi & Blumberg, 2018). Contributing factors have also been the ever-increasing global social and environmental challenges, such as climate change or the loss of confidence in the economy resulting from the financial and economic crisis (Mesciek, 2016). Failure to comply with the CSR concept could jeopardize long-term success. As a result, corporate social responsibility has become a competitive factor (Lin-Hi & Blumberg, 2018).

Corporate Social Responsibility can be differentiated into an internal and external perspective. The internal perspective is primarily for employees and includes activities such as the recruitment and maintenance of quality labor, the promotion of occupational safety and health and the ensuring of environmentally conscious and socially responsible action

across all hierarchical levels. The external perspective, on the other hand, focuses on the representation of stakeholder interests in terms of health, integrity, collective development and social community, but also on the promotion of human rights and environmental protection (Jonker, Stark & Tewes, 2011).

The term Corporate Social Responsibility was first used by the American, Howard R. Bowen, in 1953 when he attributed a responsibility to companies to orienting themselves towards the expectations, goals and values of society (Bassen, Jastram & Meyer, 2005). However, the CSR was barely linked to any advantages for its own company, which is why the CSR movement was not only granted entitlement. An important scientist of the time, Theodore Levitt, warned of the dangers of social responsibility and argued that companies are not responsible for the general well-being but for the material aspects of well-being. Despite the conflicting views of CSR, science, as well as corporate practice, is increasingly dealing with the issue in the following years (Carroll & Shabana, 2010). It was not until the late 1970s that the concept of corporate social responsibility became more concrete in that profit-oriented business was linked to the demand for social responsibility. As a result, CSR became a central factor in business practice and, in the following decade, research focused on developing a business case for corporate social responsibility. From the turn of the millennium onwards, social responsibility also increasingly found expression in European economic ethics (Aspländer & Kast, 2015).

While the earliest roots of CSR go back to the 1950s, Dahlsrud (2008) notes in a more recent observation that the corporate world nowadays constantly faces the notion of CSR. This, Lins, Servaes and Tamoyo (2017) argue, mostly goes back to the importance of trust that can stem from the socially responsible behaviour of companies. The wide array of possible CSR activities – and their varying impact on trust – is described by de Jong & van der Meer (2015). The authors were able to identify a total of 102 CSR activities in their research and highlighted a common division of CSR activities. Typically, they are divided in cause-related marketing, sponsorship and corporate philanthropy.

The first approach tries to link sales objectives to what the authors describe as worthy causes. The sponsorship approach aims to connect such causes to the name or brand of the organization in exchange for monetary support, while corporate philanthropy follows a less financially-oriented goal. Under this term, usually donations (which may be tax-deductible) are listed as prime examples. Closely linked to these different approaches of acting in a socially responsible way are different motives to do so (de Jong & van der Meer, 2015). The authors differentiate between intrinsic and extrinsic motives. While intrinsic motives imply that a company would only act in a responsible way out of altruistic motives, the extrinsic approach assumes financial or other direct benefits from CSR-related activities.

A third approach describes CSR activities as a response to relevant stakeholders and their expectations. This is described

in more detail by Morsing and Schultz (2006), who found that a majority of various stakeholders expect companies to act in a socially responsible way and to also communicate their efforts in this field. Accordingly, de Jong and van der Meer (2015) suggest that CSR activities need to be linked to the requirements held by the stakeholders. An optimal fit between those requirements and the CSR activities, the authors argue, is therefore an important predictor for the question and for how beneficial a company's success its CSR activities will be.

III. DONATIONS – PRIVATE PHILANTROPY

Fehr and Fischbacher (2003) describe that one of the biggest differences between humans and animals is in the division of labor. People co-operate in societies to tackle tasks of varying complexity. This was already the basis of early forms of the hunter-gatherer society and was ultimately the basis of modern civilization. Fehr and Fischbacher (2003) continue to argue that a fundamental condition for this incarnation or creation of civilization is altruism, which allows people to engage in activities that are not themselves directly exploited, but serve the common good.

Warneken, Hare, Melis, Hanus and Tomasello (2007) also describe this behaviour as largely unique to humans. Like Wright (1942), the team around Warneken (2007) states that even children would show such altruistic behaviour. Wright (1942) was even able to show that this behaviour is indeed unselfish and cannot refer only to friends or close friends, but also to strangers.

In the previous chapter, donations were described as being part of corporate philanthropy since corporations donate and mostly do so in order to foster their reputation. Donations, however, are also conducted by private citizens, not only by so-called corporate citizens. While the common layman's idea is that these kinds of donations happen out of pure altruism or philanthropy, authors such as Andreoni (1990) say that this is not the case. Rather, the author argues, people are motivated by selfish reasons to donate: – the thriving for social acceptance, prestige or respect. Andreoni (1990) points out social pressure to be one of the main reasons for donations by private persons.

Bekkers (2006) proposes to discuss donation-related behaviour in the light of general altruism or pro-social behaviour. He addresses the question why people act in a pro-social way based on personality, referring to the widely-used Big Five model of personality psychology. Its validity and ability to predict a multitude of different behavioural outcomes such as job performance (Judge & Zapata, 2015), academic performance (Rimfeld, Kovas, Dale & Plomin, 2016), entrepreneurial success (Antoncic, Bratkovic-Kregar, Singh & DeNoble, 2015) or satisfaction with romantic relationships (Malouff, Thorsteinsson, Schutte, Bhullar & Rooke, 2010). While these personality measures seem predictive of a wide array of behaviours and attitudes, this does not seem to hold true for pro-social behaviour, as Bekkers (2006) found in his empirical study. This is in alignment, Bekkers (2006) says, with an existing body of literature on the

relationship of donations or pro-social behaviour and personality.

Bekkers (2006) states that the research on pro-social behaviour is limited and handicapped by the different aspects that are considered to be pro-social behaviour. The biggest part of literature supposedly stems from the research on help in emergency situations, with work on the so called bystander effect being among the most prominent ones.

The bystander effect describes the phenomenon that people tend to be less helpful in critical situations when other bystanders (bystanders) are present, which Darley and Latané (1968) termed responsibility diffusion. Fischer et al (2011), who deal with this subject intensively, point to the great practical relevance of this problem, which has led to a variety of sad events or to an aggravation of these events. The authors cite perhaps the most prominent example of the bystander effect, the case of Kitty Genovese, a woman who was raped and murdered in 1964 in Queens, New York in front of her neighbours - without any of the neighbours intervening or bringing help.

In addition to mentioning other tragic examples, Fischer et al (2011) also point to the empirical - and not only anecdotal - evidence for the bystander effect, which can occur not only in dangerous situations such as those described but also in everyday situations. Whether (and in what form) people in critical situations act tactically could - as Fischer et al (2011) pointed out - be predicted on the basis of a five-stage process. Necessary prerequisites for an intervention are therefore (1) the remarking of a critical situation; (2) recognizing the situation as being critical; (3) developing a sense of personal responsibility; (4) the belief that it can change something and (5) achieving a conscious decision to help.

There are several obstacles to these five stages, most notably the diffusion of responsibility described by Darley and Latané (1968): the more other people there are, the less personal responsibility is felt. Also, the fear of being condemned by others for their own behaviour when they come to the centre of attention is described by Fischer et al (2011) as a possible hindrance. As a further obstacle, the authors described the tendency of people to trust in their fellow human beings; if no one else reacts to the situation, this is understood to be an indication that there may not be any critical situation and thus no intervention is necessary.

IV. MICRO-DONATIONS – CSR, PHILANTROPY OR SOMETHING ELSE?

Research on the bystander effect – as described in the previous chapter – argues that the diffusion of responsibility leads to less people helping in situations of need. The opposite seems to be true for micro-donations. As the results of a survey on micro-donations demonstrate, the diffusion of responsibility here seems to be beneficial.

A survey of more than 300 citizen in Germany and Romania showed that most people (74% of the participants) had never donated before, which is especially true for men, who are less likely than women to contribute. Another group less likely to

donate are the financially less well-off and the young. Of those participants who never donated before, a majority said that this is mostly due to a lack of financial resources. At the same time, most participants assumed that small contributions – such as those of just a few cents would not make a difference. They said that such small amounts don't make a difference for themselves. Thus, three-quarters of the participants stated that they would not stop on the street to pick up a coin worth less than 50 EUR cent. In a similar vein, a majority of 80% assumed that a donation of such a small sum would not really contribute to the relevant cause either. However, when asked if they were willing to donate a sum of less than 50 EUR cent to a good cause if enough (more than one million) other people would to the same, a majority of people agreed that they would.

This result stands in direct contrast to the ones regarding the bystander effect but can be partially explained by the research of Kirchgässner (1992). The researcher argues that while people in general tend to make decisions based on rational thoughts regarding their value and their affordability, this might not be the case for transactions of such a negligible value. A donation of less than 50 EUR cent, as demonstrated by the empirical results presented in this research paper, is not important enough for a single person to have a financial impact on that person's life. Thus, the decision whether to donate or not is based less on the financial hurdle and more on a matter of convenience. Here, it must be emphasized that the combination of the small amount of the micro-donation and the simplicity of the donation process plays a crucial role for the decision. For a small donation, people would rather not occupy themselves with the concrete use of the funds. This, however, also implies why people often decide not to donate because they do not have the exact knowledge of how and where they can donate their money.

Thereby, micro-donations can be a valuable tool to reach those who usually do not or cannot donate. While the single donations themselves are kept small with the idea of micro-donations, their potentially very high number can have a considerable benefit.

At the same time, looking back at the literature both on corporate and private philanthropy, micro-donations take a special position in the middle of those. With a technical solution, a connection between private customers and corporations is made. Corporations – as part of their CSR strategy – can offer an option for their customers to do good and act beneficially for the public good. Thereby, micro-donations can be seen both as a corporate tool of the CSR strategy and as a possibility for the general public to do good – with comparatively minimal costs to both parties. While the technical implementation of the round-up-system has to be partially covered by the corporations, the actual donations come without an additional cost for them.

The importance of user-friendly technical implementation can be pointed out with a review of the literature on the intention-behaviour-gap. Sheeran (2002) argues that while many people might be inclined to do good, they do not actually do so. The question as to why an intention does not

sometimes get translated into actual behaviour is thereby answered with a focus on convenience. In conclusion, Sheeran (2002) argues that people will actually do good – if they are inclined to do so – in cases where it's convenient or at least not inconvenient for them.

A similar, although more fundamental explanation for behaviour and the gap between intention and behaviour can be found in the Theory of Reasoned Action. Fishbein's and Ajzen's Theory of Reasoned Action is considered to be one of the most effective models for predicting consumer behaviour, even in spite of the fact that, like many other similar models, it is aimed at predicting not an actual behaviour, but rather its associated attitudes. (Sheppard, Hartwick & Warshaw, 1988). However, it can be used to also predict actual behaviour, although within limitations.

Ajzen (1985) expanded the Theory of Reasoned Action to address the limitations and, based on this, developed the Theory of Planned Behaviour. The initial theory was extended by the factor of behavioural control. Ajzen (1985) argued that this behavioural control should be responsible for bridging the gap between attitude and behaviour. The more people feel like they are in charge of their own decisions and actions, the more likely they are to translate their intentions into actual behaviour. This is strongly connected to the concept of self-efficacy – people usually are more successful, if they believe themselves of being able to be successful. In this extension of the Theory of Reasoned Action, Madden, Ellen, and Ajzen (1992) concluded in their study on the validity of the two models, that they actually contribute to increasing the predictive power of the model. The authors analyzed a variety of different decision scenarios. Behavioural control is measured in this model by different questions assessing how difficult it would be to actually translate attitudes into action and how much control people think they have over their own actions and behaviors (Madden, Ellen & Ajzen., 1992).

In conclusion, it can therefore be stated that micro-donations, if implemented in a user-friendly, practical way, can be an important contribution to beneficial customer behaviour and to corporate social responsibility. A technical solution to bridging the gap between corporate and private philanthropy, if implemented correctly, can have the effect of using the system very efficiently, as the numbers presented in the introduction regarding the success of DEUTSCHLAND RUNDET AUF clearly show.

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