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Does the Market Value Corporate Philanthropy? Evidence from the Response to the 2004 Tsunami Relief Effort

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ABSTRACT. This study investigates the market reaction to corporate press releases announcing donations to the relief effort following the December, 2004 tsunami in Southeast Asia. Based on a sample of 79 U.S. companies, results indicate a statistically significant positive 5-day cumulative abnormal return. While differences in the timing of the press releases do not appear to have influenced market reactions, the amount of the donations did. Overall, the results appear to support Godfrey's (*Academy of Management Review* **30**, 777–798; 2005) assertion that philanthropic giving must be perceived as being a genuine manifestation of the firm's underlying social responsiveness in order to increase firm value.

KEY WORDS: corporate philanthropy, market reactions, social responsiveness

Introduction

Over the past two decades, a growing body of research has been espousing the potential strategic value of corporate philanthropic giving (e.g., Campbell et al., 1999; Gardberg and Fombrun, 2006; Godfrey, 2005; Saiia et al., 2003; Wokutch and Spencer, 1987). More specifically, Godfrey (2005), consistent with the arguments of Gardberg and Fombrun (2006) argues that corporate charitable giving might be expected to increase the value of the contributing firm by increasing what Fombrun (1996) refers to as reputational capital. Godfrey (2005), however, further asserts that only giving that is perceived to be a genuine manifestation of the underlying firm's social responsiveness will create this value. If the perception of the action is that it is, rather, an ingratiating attempt to gain status, it may instead erode reputational capital.

In order to provide some preliminary evidence on whether the market values corporate charitable giving, and whether perceptions of the philanthropy as genuine or ingratiating impact the response, I investigate the market reaction to company press releases announcing donations to the relief effort following the December, 2004 tsunami in Southeast Asia. Based on a sample of 79 U.S. companies, results indicate a statistically significant positive 5-day cumulative abnormal return of just less than 1%, on average. I also conduct cross sectional analyses focusing on the timing of the announcements and the size of the gifts, both of which are factors that might be expected to influence the perception of whether the giving is genuine or ingratiating. The results of these cross sectional investigations indicate that while the timing of the announcements did not lead to differences in market response, the size of the contribution did appear to matter. With one notable exception, larger contributions were associated with more positive changes in market value. However, in contrast to the general relation between the extent of the gift and the magnitude of market reaction, companies announcing donations of exactly 1 million dollars exhibited no significant change in stock market returns at the time of their press releases. Such an anomalous finding is consistent with market actors interpreting the donation of exactly $1 million as only an ingratiating attempt to appear socially responsive.

In general, the results of my analysis provide evidence that, at least in some situations, the market does appear to reward corporate charitable giving, and that this response appears to be a function of the perceived increase in reputational value associated with the philanthropy. The article begins with

background on the issue of corporate charitable giving, in general, and more specifically on the corporate response to the 2004 tsunami.

Background and hypotheses

According to Campbell et al. (1999), corporate charitable giving can be traced at least as far back as the late 1800s. Indeed, Bartkus et al. (2002:319) note that "corporate philanthropy has been called the oldest form of corporate social performance." Such giving, however, may serve more than just an altruistic purpose. A number of recent studies (Porter and Kramer, 2002; Saiia et al., 2003; and Seifert et al., 2003, among others) argue that corporations appear to be increasingly using their philanthropic programs as strategic tools to improve their own bottom lines. Proponents of strategic philanthropy, as this type of corporate charity is known, offer two potentially inter-related arguments for why the giving might ultimately lead to increased corporate value.

First, firms might use strategic philanthropy to enhance their market position. According to this argument, corporate giving can increase consumer name recognition (Smith, 1994) and improve customer attitudes toward the company (Campbell et al., 1999). Recent surveys present evidence in support of these claims. Saiia et al. (2003), for example, report that in the mid-1990s more than three-fourths of Americans claimed to take a firm's charitable record into account when deciding whether to do business with it. Similarly, Hempel and Gard (2004: 102, 104) cite data collected by the research group Cone, Inc. that indicate 86% of young people "say they'll switch brands to another associated with a social issue." Thus, as summarized by Campbell et al. (1999), 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.

From an alternative perspective, both Godfrey (2005), and Gardberg and Fombrun (2006) argue that corporate philanthropy can create what Fombrun (1996) refers to as "reputational capital."[1] Gardberg and Fombrun (2006: 331) suggest that this capital enhances the ability of firms "to negotiate more attractive contracts with host governments, to attract potential employees, to charge premium prices for their products, and to reduce their cost of capital." Godfrey (2005: 786) further argues that increased stocks of reputational capital provide insurance-like protection for the intangible asset values arising from companies' relations with various stakeholders. Godfrey notes that such relations include the affective commitment of employees, legitimacy with communities and governments, trust from suppliers and partners, and brand loyalty from customers. Because, according to the resource-based view of the firm, the possession of valuable and rare assets that are difficult for competitors to imitate leads to competitive advantage, the protection of such relational values also contributes to shareholder wealth (Godfrey, 2005).

These arguments supporting the strategic benefit of corporate philanthropy suggest that charitable giving can increase the value of the contributing firm. And while there is considerable anecdotal evidence that corporate philanthropy leads to positive stakeholder reactions (see, e.g., Comiteau, 2003; Gallanis, 2000; Hempel and Gard, 2004; White, 2001), almost no studies test these relations empirically. One of the major obstacles to such research, as noted by Hempel (2003), is that corporations are not required to publicly report their charitable contributions. And while some companies do choose to highlight their philanthropic activities through press releases, annual report disclosures, and other means, there appear to be no published studies that examine whether announcements of corporate charitable giving impact market returns. This lack of prior analysis, in conjunction with the increased emphasis on corporate charitable giving as a strategic tool, serves as the motivation for the current investigation. My study's primary objective is to examine empirically the extent to which, if at all, charitable giving is valued by investors and leads to changes in the market value of contributing firms. I test this issue relative to the corporate response to the December 2004 tsunami disaster in Southeast Asia.

The Southeast Asian tsunami and the corporate response

Just before 8 o'clock local time on the morning of December 26, 2004, a massive earthquake erupted under the Indian Ocean off the Indonesian island of Sumatra. Within hours, one of the most devastating

tsunamis in modern history had ravaged the coastlines of countries from Thailand to India and even as far away as the east coast of Africa. Within a week, the region-wide death toll was estimated at more than 150,000 and the extent of physical damage was virtually incalculable. Kirkpatrick (2005), in his January 5, 2005 Fortune.com column, describes the catastrophe as ''the first truly global tragedy,'' both because citizens of so many different countries were killed or injured, and equally, because ''the Internet's globe-spanning power made it possible for news accounts, pictures, and videos of the devastating natural disaster to be quickly transmitted around the world.''

Whether driven by the immensity of the tragedy or the immediate and graphic nature of its coverage, worldwide response to the event was also unrivaled. As noted by *Time* magazine (*Time*, 2005: 31), ''like no other natural disaster in living memory, the Asian tsunami induced a planetary torrent of sorrow, followed by a massive outpouring of money and supplies from public and private sources.'' Within days, numerous U.S. corporations had made substantial pledges of support, and on-line news sources were noting it. For example, both Forbes.com (Levine, 2004), and Money-CNN.com (Money-CNN.com, 2004) had posted articles on their web sites by the end of the year identifying U.S. corporate relief efforts to that point. Perhaps triggered by this substantial early response, the list of American corporate contributors to tsunami relief quickly grew. Indeed, a January 9, 2005 CNN.com article (CNN.com, 2005) claims ''so many corporations have joined donor ranks the cause is increasingly seen as one that the biggest, most visible companies can ill afford to sit out.''

As will be further discussed below, a relatively large number of corporations chose to publicly disclose their contributions to the tsunami relief effort through company press releases. The choice to publicly highlight the giving suggests these firms may be seeking strategic benefit from their charitable actions. The issuance of the press releases, however, also allows for an identification of both the timing and the amount of company specific charitable contributions, and thus presents a rich opportunity for examining whether market participants value such corporate giving. It must be acknowledged that charitable contributions in response to catastrophic events, due primarily to increased media exposure and social awareness, might elicit responses that differ from the more general case of corporate charitable giving. However, given the lack of prior analysis of market reactions to corporate charity, the findings should provide information useful to examinations in other contexts.

Hypotheses

The primary objective of my study is to provide evidence on the relation between announcements of corporate contributions to the tsunami relief effort and subsequent changes in market value for the donating firms. If market participants believed that this corporate philanthropy increased the reputational capital of the contributing companies, a positive reaction would be anticipated.[2] However, Godfrey (2005: 783–786) asserts two conditions must be met in order for philanthropic activity to generate positive reputational capital. First, the giving must be associated with an underlying ethical value that is consistent with the community's ethical values. Such consistency leads to what Godfrey (2005: 784) refers to as ''an act-based positive moral evaluation.'' Given the concurrent substantial philanthropic response of the public to the victims of the tsunami (see, e.g., *Time*, 2005), it seems likely that the corporate giving to the relief effort met this first criteria.

In addition to being perceived as a positive act of charity, Godfrey (2005: 784) argues that the corporate giving must also be perceived as ''a genuine manifestation of the firm's underlying intention, vision, and character,'' as opposed to being perceived as an act ''designed to *ingratiate* the firm among the impacted community'' (Godfrey's emphasis). Because, as further noted by Godfrey (2005: 784), numerous studies find ''that attempts at gaining favor judged as ingratiating rather than genuine'' lead to diminished attractiveness in the eyes of those perceiving, only corporate giving that is perceived as an act of genuine social responsibility can build positive reputational capital. In this study, I investigate two factors associated with the corporate announcements of contributions to the tsunami relief effort – the timing of the announcement and the amount of the giving – that might be expected to

influence the perception of the acts as being sincere manifestations of social response. First, because the early corporate philanthropic giving received substantial media exposure in on-line reports at the end of the first week following the tsunami (see Levine, 2004; Money-CNN.com, 2004), announcements of contributions after the first week following the tsunami might be expected to be interpreted as ingratiating rather than sincere. Second, firms making larger donations to the relief effort might be perceived as exhibiting genuine social responsiveness whereas relatively smaller corporate contributions may be interpreted as ingratiating.

Based on the arguments articulated above, I state the following hypotheses (in alternative form):

Hypothesis 1: There will be a significant market reaction in response to corporate press releases announcing contributions to the tsunami relief effort.

Hypothesis 2: The market reaction to corporate press releases announcing contributions to the tsunami relief effort will be less positive (more positive) for companies making their announcements after (during) the first week following the tragedy.

Hypothesis 3: The market reaction to corporate press releases announcing contributions to the tsunami relief effort will be positively associated with the amount of the announced donation.

Methods and results

Sample

This study focuses on U.S.-based, publicly traded corporations issuing a dated press release announcing the dollar amount of company contributions to the relief effort following the December 2004 tsunami in Southeast Asia. The press release had to have been issued within 1 month of the disaster. The requirement for a dated press release increases the likelihood that the contributing firm is seeking strategic value for its giving. It also allows for identification of when the market most likely learned of the corporation's intent to donate. This, in turn, allows for better isolation of any market reaction to the information. I limit my analysis to press releases including dollar amount disclosures due to subsequent tests on the relation between the extent of giving and the magnitude of market reactions. Finally, I use the cut-off date to try to assure that societal concern with the tsunami's impact is relatively unchanged over the period of analysis. Ultimately, of course, societal concern is not measurable and the choice of the cut-off date is ad hoc.

To identify sample firms, I accessed and reviewed the archived press releases on the corporate web pages of each of the publicly traded members of the 2003 Fortune 500. Further, I also reviewed the web pages of any additional companies listed as corporate contributors on any of a number of Internet compilations of donors to tsunami relief. These sources included listings made available by the American Red Cross, UNICEF, the Council on Foundations, Americares, Save the Children, and the Center on Philanthropy at Indiana University.[3]

In total, I identified 109 companies with a tsunami relief oriented press release apparently issued within the time frame of interest. However, I had to eliminate 30 of these potential sample members due to one or more of a variety of problems. First, for 15 of the firms, I could not determine either the exact date of the press release or the specific amount of company money being donated.[4] Second, two additional companies issued more than one press release in the first month after the tsunami (with subsequent releases indicating additions to the corporate contributions). Third, two companies' official press releases were preceded by web-based news stories indicating the firms as donors and listing specific dollar amounts. Finally, a review of the archived press releases and the company news sections of the firms' web sites indicated 11 companies with potentially confounding news releases during the period of analysis. The final sample thus consists of 79 companies.[5]

The sample companies range in size (based on revenues[6]) from $935 million to $258.7 billion with a mean (median) of $23.7 billion ($11.0 billion). The firms represent 27 different industries (based on two-digit primary SIC code) with the largest representation (seven companies) coming from the pharmaceutical industry. The earliest of the press releases (for three different companies) were dated December 28, 2004 and the latest was issued on January 25, 2005. The releases were spread across 17 different days with the highest concentration, 13, on January 4, 2005.

Corporate contributions

For this study, I measure corporate contributions as (1) outright dollar donations and/or (2) company pledges to match others' (typically either employee or customer) donations *if* a specific dollar amount of matching was identified in the press release. I excluded in-kind donations from the measure due to the problems of valuing such giving (see *Business Week*, 2004), as well as unspecified promises to match others' donations. To the extent the market may have assigned values to these excluded items, the contribution measure used in this analysis is understated for firms with either in-kind or unspecified pledges to match others' donations.[7] The announced contributions for the 79 sample firms ranged from $25,000 to $10,000,000 with a mean (median) of $934,600 ($1,000,000).

Table I provides descriptive statistics and Pearson product-moment correlations for measures utilized in this investigation.

Market reaction

I used basic market model methodology (see Brown and Warner, 1985) to calculate the unexpected stock price response surrounding the issuance of tsunami giving press releases by the sample firms. Under this approach, for each security i, the abnormal return on event day t is measured as follows:

$$\mathrm{AR}_{it} = \mathrm{R}_{it} - (a_i + B_i R_{\mathrm{m}t}) \qquad (1)$$

where R_{it} is the rate of return on security i on day t, $\mathrm{R}_{\mathrm{m}t}$ is the overall market return on day t, and a_i and B_i are the ordinary least squares estimates of the intercept and the slope of the market model regression. I based parameter estimates on a 100 trading day estimation period ending on December 23, 2004 (the last trading day preceding the tsunami). I measured the market return using the New York Stock Exchange Composite Index (new method) and I collected all stock price and market data using the Internet site chart.yahoo.-com (see Seiler, 2004: 229). I calculated cumulative abnormal returns (CARs) by summing daily ARs over the 5-day event period beginning on day −1 (relative to the press release date) and ending on day +3.[8] To measure the statistical significance of the reaction, I standardized each firm's daily abnormal returns using the mean standard deviation of the company's prediction error over the estimation period adjusted for prediction outside of the estimation period and then summed over the 5-day event period. Finally, I tested the sample's mean standardized CAR for statistical significance using the Z-statistic as in Seiler (2004: 268).

Summary information on the 5-day CARs is presented in Table II. As highlighted in the table, the CARs ranged from a negative 11.05% to a positive 8.88%, with 53 of the 79 sample companies (67.1%) experiencing positive market reactions following the press release for their donations.[9] Whereas 39 of the sample firms had a CAR of greater than a positive 1%, only 14 companies' CARs were below a negative 1%. The results, therefore, provide evidence that, in general, the announcements of corporate giving to the tsunami relief effort appear to have been viewed positively

TABLE I

Descriptive statistics and correlations[a]

Variable	Mean	SD	1	2	3	4
1. Cumulative abnormal return	.0091	.02603				
2. Contribution amount ($1,000s)	934.6	1301.2	.143			
3. Adjusted contributions (amount/revenues) at 10^3	.063	.0715	.145	.486**		
4. Revenues ($1,000,000s)	23,664	39,059	.118	.280*	−.203	
5. Announcement date (relative to date of the tsunami)	.24	.430	.151	.289**	−.001	.298**

[a]Pearson product-moment correlations, $n = 79$

*$p < .05$

**$p < .01$

TABLE II

Test period cumulative abnormal returns (CARs)

n	79
Minimum CAR	−0.1105
Maximum CAR	0.0888
Number (percent) of firms with positive CARs	54 (68.4%)
Number (percent) of firms with negative CARs	25 (31.6%)
Mean CAR	0.0091
Z-statistic	2.691★★

★★$p < .01$, two-tailed

rather than negatively by market participants. Overall, the sample companies, on average, realized a positive CAR of just less than 1%. This reaction is statistically significant (at $p < .01$, two-tailed).

Cross sectional analyses

The first test for cross sectional differences in the market response to the tsunami relief press releases centers on the timing of the announcements. As noted above, because corporate response to the relief effort received substantial on-line media coverage at the end of the first week following the tsunami, subsequent corporate contributors could potentially be perceived as less sincere in their social responsiveness than the early announcers. According to Godfrey's (2005) arguments, this would suggest a less positive market response for the later announcers in comparison to the early release group. Nineteen of the sample firms issued their press releases during the first week following the disaster with the remaining 60 companies announcing over the subsequent period.

Table III presents the mean CAR for the group of early announcers in comparison to the mean response for the sub-sample of firms making later announcements. While the mean CAR for the early announcement group (positive 1.61%) is indeed larger than the average response for the later announcers (positive 0.69%), a *t*-test of the difference in the means indicates that the difference is not statistically significant at conventional levels ($t = 1.439$, $p = .16$, two-tailed). Further, the mean CAR for the later announcers continues to be

TABLE III

Mean cumulative abnormal returns by announcement period

	n	CAR	*Z*-statistic
Early announcers[a]	19	.0161	2.030★
Later announcers	60	.0069	1.946#

[a]Early announcers are identified as firms whose press release announcing a donation to the tsunami relief effort was issued during the first week following the tragedy and later announcers are firms issuing their press releases after the first week following the event

★$p < .05$, two-tailed

#$p < .10$, two-tailed

significantly positive ($p = .06$, two-tailed). These results fail to support Hypothesis 2 and suggest that, on average, market participants continued to see value in the announcements of philanthropic giving that were less timely than those of the early responders.

To examine whether the size of the announced donation impacted the magnitude of abnormal returns I examined, first, the Pearson product-moment correlation between the two variables. As reported in Table I, the correlation, although positive, is not statistically significant at conventional levels. In order to gain additional insight into the association between the amount of the giving and the market reactions, I partitioned the sample into three groups based on the announced contribution. Group 1 consists of firms making gifts of more than $1 million, Group 2 includes companies announcing gifts of exactly $1 million, and Group 3 identifies firms donating less than $1 million.

Table IV reports the mean CARs for each of the groups. As noted in the table, the Group 1 firms, those making the largest donations, experienced the most positive mean market reaction. However, the average return for the Group 3 companies is also significantly positive. In contrast, the mean CAR for the Group 2 firms is only 0.33% and is not statistically significant. Analysis of the association (Pearson product-moment correlation) between the amount of the gift and the CAR for Group 3 companies only indicates the variables are positively and significantly (at $p < .05$, one-tailed) related.[10] Thus, with the exception of the findings for those firms announcing

TABLE IV

Mean cumulative abnormal returns by amount of contribution

Group	*n*	CAR	*Z*-statistic
1. (Amount > $1 million)	16	.0159	1.843#
2. (Amount = $1 million)	21	.0033	0.672
3. (Amount < $1 million)	42	.0095	2.078⋆

⋆$p < .05$, two-tailed
#$p < .10$, two-tailed

TABLE V

Mean size-adjusted giving[a] by amount of contribution

Group	*n*	Size-adjusted giving
1. (Raw amount > $1 million)	16	0.107
2. (Raw amount = $1 million)	21	0.069
3. (Raw amount < $1 million)	42	0.046

[a]Size-adjusted giving is the amount of announced donation divided by company revenues. Figures are reported at 10^3 for ease of presentation

donations of exactly $1 million, the results suggest that companies making larger gifts experienced more positive abnormal market returns and provide evidence in support of Hypothesis 3.

Further analysis

A potential explanation for the inconsistent findings regarding the Group 2 firms (those making donations of exactly $1 million) is that the market may be assessing social responsiveness (and increases in reputational value) based on the perceived generosity of the giving. Hempel and Gard (2004), for example, assert that size-adjusted giving measures are a better indicator of generosity than the raw contribution value and also report size-adjusted giving in their *Business Week* report on corporate philanthropy. In order to examine this potential explanation further, I computed a generosity of giving measure (contribution amount divided by company revenues) for the sample firms.[11]

Two analyses suggest that it is not market interpretation of generosity driving the anomalous findings. First, as reported in Table I, the overall correlation between the size-adjusted giving measure and company CARs is not statistically significant. More importantly, as reported in Table V, the mean size-adjusted giving measure for the Group 2 firms is actually larger than the average size-adjusted giving for those in Group 3. It appears, therefore, that the anomalous findings for the companies donating exactly $1 million are not due to differences in the generosity of the giving relative to other firms.

An alternative explanation for the results for the Group 2 companies is that market participants may have interpreted gifts of exactly $1 million as being somewhat disingenuous displays of corporate social responsiveness. That is, consistent with Godfrey's (2005) arguments, the market may have perceived donations of exactly $1 million as being ingratiating attempts at garnering goodwill. If indeed this is the case, it is worth noting that, although not rewarded with significant positive market adjustments, these firms, on average, also did not suffer negative market reactions.[12] This suggests that while corporate philanthropy that is viewed as ingratiating may not build reputational capital, it does not appear, as argued by Godfrey (2005), to erode it either.

Discussion

The primary purpose of this investigation was to provide evidence on whether the market reacts to announcements of corporate charitable contributions. This was tested by examining the response to the issuance of press releases by 79 U.S. companies disclosing their intent to contribute to the 2004 tsunami relief effort. Results indicate a significant positive reaction. However, with the notable exception of firms announcing gifts of exactly $1 million, it appears that companies making larger donations realized more positive market reactions than firms announcing smaller gifts. Both this finding and the exception to positive returns for givers of exactly $1 million, to the extent that the latter is a function of perceived ingratiation, are consistent with Godfrey's (2005) assertion that only acts perceived as genuine manifestations of the firms' underlying social

responsiveness will lead to perceived increases in reputational capital and, therefore, firm value.

The results of this investigation would appear to suggest that managers wishing to use philanthropic giving as a tool for building stocks of reputational capital need to carefully consider the image being projected by their choice of amount. However, the findings also indicate that, at least for giving in response to catastrophic events, failure to be an early responder does not preclude garnering market favor. Also, and importantly, whereas not all announcements of philanthropy resulted in positive market adjustments, no class of corporate givers, on average, suffered negative abnormal returns in response to disclosure of their intent to donate.

It must be noted that the event studied in this analysis is a special class of corporate charity. The increased media exposure and heightened social awareness following catastrophic events such as the Southeast Asian tsunami may induce market participants to view corporate giving at these times differently than other types of corporate charitable donations. Extending analyses to other programs of giving would add to understanding in this area. Another interesting extension of the current study would be the examination of whether non-contributing firms suffered negative market adjustments due to a perceived erosion of their reputational capital. A major problem with such an analysis, however, would be trying to isolate when a market response would have occurred.

Finally, it must be noted that the intent of this study was only to examine whether market participants responded to the announcements of corporate charitable giving. The social value of this philanthropy is far broader than what it may do relative to increasing or decreasing market prices for contributing firms. However, to the extent that the analysis provides evidence that there is no market penalty associated with the giving in this instance, the results could potentially be used to help convince otherwise reluctant managers to consider making charitable donations.

Notes

[1] Rather than ''reputational capital,'' Godfrey (2005) labels this term as ''moral capital.''

[2] An alternative position is Friedman's (1970) view that charitable giving (without strategic benefit) is the spending of shareholders' money, perhaps in contrast to their desires. Wokutch and Spencer (1987: 76) note that from Friedman's perspective all profits should be distributed to shareholders who can then make their own choices on what to do with the resources. If, on average, market participants share this view relative to the corporate gifts to tsunami relief, a negative stock price reaction would occur. Given this alternative possibility, I use two-tailed probability distributions to test for the significance of any market reaction.

[3] Internet addresses for these sites are available from the author.

[4] For two of the potential sample firms the date listed on the archive of news releases differed from the date noted on the press release itself. For the others excluded under this criterion, the press releases did not clearly differentiate the amount donated to the tsunami relief effort by the firm as opposed to amounts donated by corporate employees or customers.

[5] The list of sample companies is available from the author.

[6] All financial information for sample companies is from the most recent 10-K report preceding the tsunami.

[7] Eleven of the 79 sample companies reported in-kind donations in their press releases and 14 firms announced the intent to match employee or customer donations (with no dollar designation to the match).

[8] Because the earliest of the press releases occurred on the second trading day following the tsunami (and the disaster would not have been anticipated in the market), it is not possible to go back beyond day −1 and remain consistent across all firms.

[9] Both the high and the low CAR fell more than three standard deviations from the sample mean (with no other CARs more than two standard deviations from the mean). To assure that results were not a function of these outlying values, I repeated all tests reported in this study with these two observations removed. All results remained qualitatively unchanged and are not reported in the article.

[10] The correlation between the size of the gift and the CAR for the Group 1 firms is not statistically significant at conventional levels.

[11] This is the size-adjusted measure used by Hempel and Gard (2004).

[12] Similarly, non-tabled analysis indicated that the mean CAR for the 14 sample companies announcing gifts of $100,000 or less was not negative.

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