

**DONATION DECISIONS: THE ROLES OF FINANCIAL AND EMOTIONAL
INFORMATION**

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ABSTRACT

This paper investigates the impact of personal affinity toward a charity and information regarding financial management of potential recipient charitable organizations on decisions to donate. Using an experiment, the study examines how personal donation decisions differ from corporate donation decisions made by managers and how the emotional intelligence of donors affects donation decisions. The results indicate that threshold and financial information on charities assembled by the Better Business Bureau, a charity rating agency, made a significant impact on corporate donation decisions. The study also shows that emotional intelligence plays an important role that aids both individual donors and managers to regulate their donation decisions.

KEY WORDS: Financial information of non-profits, affective responses to charities, donations, decision-making, emotional intelligence, group agency

ABBREVIATIONS: BBB: Better Business Bureau, EI: Emotional intelligence,

EM: Emotions management branch score (of the emotional intelligence scores)

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1. INTRODUCTION

Canada's non-profit sector, the second largest in the world (Hall et al., 2005), includes an estimated 86,217 registered charities (Canada Revenue Agency, 2015). The non-profit and voluntary sector represents 8.1% of the country's gross domestic product, which is larger than the automotive or manufacturing industries (Sector Source, 2015) and employs 12 percent of the country's economically active population (Hall et al., 2005). The sources of funding for these charitable organizations vary significantly according to the nature of the organization and may come in the form of government subsidies, foundation grants, and individual and corporate donations (Statistics Canada, 2012). Individual contributions to charities in Canada were approximately \$7.8 billion in 2010 (Sector Source, 2015). In contrast, corporations claimed \$2.2 billion in charitable donations on their 2010 tax returns (Sector Source, 2015).

With such a significant vested public interest in the performance of the non-profit sector and due to the diversity of funding sources, understanding both corporate philanthropy and the individual donation decision making process is particularly important. Motivations such as the situational conditions of an individual at the time funds are being solicited (Radley & Kennedy, 1995) and an individual's altruistic tendencies (Batson, 1981; Bierhoff, 1987) have been cited among other factors as conditions that affect individual donation decisions. Corporate philanthropy is distinct from individual donation decisions as it involves the act of giving corporate resources or funds, which are primarily owned by stockholders (Friedman, 1970) to charitable causes as opposed to an individual

donating his/her own personal funds. Notwithstanding this difference, the corporate philanthropy decision can be regarded as essentially an extension of personal giving (Shaw & Post, 1993) depending on the motive of the corporate decision maker(s) and the rigor of the corporate decision making process. As corporate donation decisions are often left in the hands of individual managers or teams of decision makers within the corporate entity (Kabongo et al, 2013), the corporate philanthropic decision becomes an important element in ensuring the proper allocation of corporate funds.

Studies suggest that considerations such as personal interest (Siegfried et al., 1983) and individual preference (affinity) for a particular charity (Campbell, 1999) may have a larger impact on donation decisions of corporate decision makers than the financial management information of non-profits and/or the corporate donation policy of donor firms. The consideration of financial management information of charities (Trussel & Parsons, 2007) and the adherence to corporate donation rules, if any, are intended to result in allocative efficiency of corporate funds as well as the enhancement of the impact the recipient charity has on its beneficiaries and should, therefore, be of primary importance in the decision process. Thus, it is critical to determine the relative impact of these factors on donation decisions compared to other, less obviously justifiable, factors.

The results show that financial and threshold information on charities provided by charity rating agencies are value relevant to both individual and corporate donation decision making though in different ways. Unique to this

study, is the impact of emotional intelligence on donation decisions. The result suggests that emotional intelligence impacts both individual and corporate donation decision making processes.

2. CONTRIBUTION OF STUDY

Although significant, the decision processes involved in individual and corporate philanthropy have received little attention in the accounting literature. This paper investigates the impact of personal affinity toward a charity and information regarding financial management of potential recipient charitable organizations on decisions to donate. In addition, the study examines how personal donation decisions differ from corporate donation decisions made by managers in their role as corporate decision makers. This study is of both theoretical and practical importance as it aims to contribute to a small but growing literature on the decision usefulness of accounting information of non-profits as a way of improving allocative efficiency of donor funds.

The study is unique in its integrative approach to capturing the philanthropic decision making processes as previous studies on donations either investigate the influence of accounting information or personal affinity on charitable contributions but not both. It extends the existing body of literature by incorporating emotional intelligence of donors as a way to better explain the importance donors place on accounting information of charities relative to their affinity for the charity. Further, it is beneficial for accountants to understand whether and how accounting data, which provides information on the effectiveness and efficiency of a non-profit organization, influences charitable

contributions. The study holds potential benefits for standard setters in their quest to provide a stronger and a much more relevant regulatory environment for players within the non-profit environment.

In an experimental setting, participants made individual and corporate donation decisions. Commonly available financial management information for charities was presented to all participants. Participants completed questionnaires that captured affinity for the charities included in the study, and emotional intelligence as well as demographic data. Statistical analyses provided insights into the differences between individual and corporate donation decisions and may be helpful to guide suggestions for opportunities for non-profits to attract increased donations.

3. LITERATURE REVIEW

3.1. Individual donation decisions

Although total individual donations in Canada is large compared to donations of corporations, the general trend over the past decade is that a declining percentage of Canadian tax filers are reporting donations to charities and these donations are becoming less as a percentage of income (Fraser Institute, 2014). *The Globe and Mail* reports that individual donations decreased by almost \$1 billion between 2007 and 2009 (The Globe and Mail, 2012). This is not a good change for Canadian charities as they compete with each other as well as the numerous alternative uses donors' have for their scarce resources.

There are often mixed motives for charitable giving by individual donors (Piliavin, 1990). Altruism has been cited in a number of studies as the main motive for charitable giving (Batson, 1981; Bierhoff, 1987). In spite of these findings, Radley & Kennedy (1995) insist it is unlikely that altruism by itself could account for why people either do or do not make donations. Moscovici (1990) shares a similar view and asserts that the sense of honour and generosity do not prevail in a society where personal interest and the law of profit are upheld.

Radley & Kennedy (1995) set out three relevant elements in the assessment of an individual's donation behaviour and tendencies. They regard an individual's primary donation motive, the social norms governing the charitable action under consideration and the situational conditions at the time funds are being solicited as critical elements in assessing the charitable behaviour of an individual. Although altruism is regarded by some as the likely motive for donation decisions, studies suggest that other motives such as an individual's personal interest may be the primary motivation for the individual's donation decisions (Moscovici, 1990). Social norms, which can be representative of the group the donor belongs to or the cultural prescriptions of the donor's social grouping have the potential to influence individual donation tendencies. Further, the situational conditions at the time funds are being solicited, such as the financial capability of the individual may also determine whether an individual will act in a charitable way.

In addition to the three main motives, charitable donations may also be influenced by seeing other individuals donate (Macaulay, 1970). Obviously the

factors that motivate individual giving do not influence everyone in the same way. However, the underlying theme is clear-donation decisions are complex. This complexity is further compounded by the inherent difficulty that prospective donors encounter in judging the quality of services of recipient charities.

Many of the motivations for charitable donation decisions do not require seeking evidence that a recipient charity uses donor funds efficiently or effectively (Parsons, 2007). In spite of this, Parsons notes that donors sometimes demand assurance that their contributions would be put to good use and such demands are particularly prevalent when the donor is not in a position to directly observe the organizational quality of the soliciting charity. Donors are likely to examine the financial information of soliciting charities as a test of organizational quality in situations where donors expect to receive few tangible or intangible benefits from the recipient organization (Gordon & Khumawala, 1999). Gordon and Khumawala, however, note that donors may be less inclined to seek financial information about potential recipient charities when these donors are motivated by status, religion, and reputation or where the donor has received benefits in the past from the charity. When donors do decide to make contributions, they are more likely to give to solicitors of “appropriate appearance and manner” (Radley & Kennedy, 1995).

For potential donors who are part of a group, group norms may govern the timing, size and targeting of charitable behavior (Radley & Kennedy, 1995; Schwartz, 1967). A typical situation in which an individual is expected to conform to group norms in making donation decisions is corporate philanthropic decision

making by corporate personnel. In spite of the pressure to conform to group norms, Radley & Kennedy (1995) argue that donation decisions cannot be entirely regulated by the constraints of norms of a group such as a social club, team, or corporate entity.

3.2. Corporate donations

Corporate philanthropy is an integral part of corporate social responsibility (Burlingame, 2001). Corporate donations are discretionary in nature and are exercised predominantly by top managers such as Chief Executive Officers and often go beyond the economic, legal, and ethical obligations of a corporate entity (Kabongo et al., 2013; Chen et al., 2008; Waddock & Graves, 1997).

Although corporate donation decisions are primarily left in the hands of top managers, many companies recognize the need to streamline and standardize the corporate philanthropic decision making process. Formal internal processes and structures are therefore instituted that often require monetary contributions to be made through established corporate foundations (Campbell, 1999). Other organizations have less streamlined processes and donate on an ad hoc basis (White, 1987). The structure and rigor of the donation decision making process is often a reflection of what the corporate entity seeks to achieve with the philanthropic gesture. Corporate entities make donations for a variety of reasons and these motives are often a reflection of diverse interests, influences and objectives.

Harley (1991) advances three perspectives on the objectives of corporate charitable contributions by donor firms. First, corporate contributions can be used as “necessitated investments”, a tool managers employ to maximize corporate profits through the exploitation of tax loopholes, the reduction of costs and the enhancement of revenue (Harley, 1991). Harley also regards corporate philanthropy as a potential social responsibility effort through which managers can “advance the corporate objectives of maximizing social benefits without concern for short-term corporate profits”. Here, the important consideration in the corporate contribution decision making process is societal values and objectives. Finally, Harley presents corporate contributions as a potential “social currency” - tools managers may adopt primarily to advance their own interests and as such contributions are only incidental to the promotion of the interests of stockholders.

Increasingly, corporate giving is being hailed as the morally ‘right thing to do’ (Paine, 2001). Corporate philanthropy has evolved through time, becoming more stakeholder-focused during the transition. Early corporate donation trends were substantially determined by the level of profits firms made within the period but this relationship weakened during the 1990s as firms shifted focus and became more responsive to stakeholder influences (Brammer & Millington, 2004).

As current requests for funding from charities continue to rise, corporations have become more strategic in their giving decisions and are now shifting funding to charities with concrete measurable outcomes (The Globe and Mail, 2012). Compared to individuals, corporations are better positioned to

evaluate the potential measurable outcomes of donated funds and can tap into the technical, financial and managerial expertise of firm personnel in the research and selection of recipient charities (Porter & Kramer, 2002). For a corporate entity to achieve the required purpose of its philanthropic gesture, proper due diligence must be exhibited by mandated employees in the evaluation of potential recipient charities. With the right focus, approach and due diligence, corporate philanthropy can be a cost effective way to align a company's long-term business prospects with social goals as a means of gaining competitive advantage (Porter & Kramer, 2002).

Not everyone agrees that corporations should engage in charitable giving. Most notable among these is the economist, Milton Friedman. In his book, *Capitalism and Freedom*, Friedman asserts that the "only one social responsibility of business is to use its resources and engage in activities designed to increase its profits" (Friedman, 1962, p. 112). Friedman argued that corporate philanthropic contributions do not afford the individual stockholder the opportunity to decide where his/her funds should be channeled and further concludes that if donations are to be made, they should be made by individual stockholders and not by the corporation. He equates corporate philanthropy to spending someone else's funds and sees it as a waste of funds and a breach of fiduciary duty (Friedman, 1962).

Others believe corporate philanthropy is a waste of funds only if corporate donations are unfocused, unstructured, and not backed by any concrete corporate strategic roadmap (Porter & Kramer, 2002). Corporations are a part of

the larger society and do not operate in isolation. It would therefore be a false dichotomy to perceive the economic and social benefits of corporate philanthropy as distinct and competing considerations (Porter & Kramer, 2002). In fact, corporate charitable initiatives have the ability to enhance the corporate image of an entity and provide management with a platform to better manage regulatory risk that may negatively impact firm value (Brammer & Millington, 2004). With such varied social and economic benefits in sight, it is management's duty to make rational and independent corporate donation decisions that seek to benefit society and ensure allocative efficiency of shareholder funds.

There is little evidence, however, to suggest that corporations make these donation decisions in a more rational manner than do individuals. For example, studies have found evidence that management makes contributions to charities with which it has a prior (often personal) relationship. Siegfried et al. (1983) found that 92% of 229 corporations analyzed admitted that contributions were influenced by the chief executive officers' relationships with charitable organizations. In addition, some studies have found that managers use contributions to maximize managerial perks that include greater prestige and higher salaries (Useem, 1987; Galaskiewicz, 1985). Thus, these donations are often reflections of the personal beliefs, values and social consciousness of employees rather than being tied to a donation strategy that is well-thought-out, structured and presents a social or business value (Porter & Kramer, 2002).

It is possible that altruistic considerations (Campbell, 1999) and affinity for particular charities impact the corporate decision in the same manner as the

individual decision. Fritzsche (1995) asserts that the personal value systems of individual managers could be used to predict their behavior in a business scenario. Therefore, it is possible for managers to inject their own social consciousness when making donation decisions on behalf of a corporation (Bereskin, 2014). This becomes particularly important when one considers that the decision of whether or not a firm gives to charity is often left to the individual manager's discretion. It can be suggested that employee decisions on corporate philanthropy cannot be totally constrained by the established donation criteria and/or corporate donations guidelines (Radley & Kennedy, 1995).

Effective management decision making is critical to implementing corporate strategy and to the overall performance of a corporate entity. Various studies have examined the impact of corporate charitable activities on firm value. However, the elusive link between charitable expenditures and firm financial performance, though extensively researched, is one of the least understood relationships in the field of business and society (Rowley & Berman, 2000; Griffin & Mahon, 1997; Wood & Jones, 1995). For example, Alexander & Buchholz (1978) found no significant relationship between a corporation's level of socially responsible activities and firm value. Other studies have, however, found evidence that suggests that corporate charitable activities have a negative effect on firm performance (Chen et al., 2008; Vance, 1975). Due, in part, to the ambiguous role charitable contributions play for a corporate entity, corporate executives increasingly find it difficult to justify the benefits these expenditures have on their bottom line (Porter & Kramer, 2002). Corporations that choose to

give in spite of such cautionary notes are advised to select organizations that have greater, verifiable social impact (Keating et al., 2008).

3.3. Group agency

Conventionally, agency is seen as vested in individuals (Pacherie, 2013; Gold & Sugden, 2007). As an individual agent, each person is seen to act on his or her own preferences and may choose whether to incorporate the concerns and feelings of others into the decision making process (Gold & Sugden, 2007). In contrast to this conventional view, several scholars have proposed a different form of agency – the group agency. These studies assert that groups, just like individuals, may satisfy all the conditions necessary to qualify as an agent (List & Petit, 2011; Bacharach, 1999). A group agent consists of individuals who conceive themselves as members of a common group reasoning unit (Pacherie, 2013). Units that possess shared intentions and engage in collective actions can take different forms, implement a variety of systems and constitute different levels of complexity

There exists no generally accepted account of the extent to which groups by themselves constitute agents (List & Petit, 2011) and possess shared intentions (Pacherie, 2013). A number of scholars also have raised concerns about the appropriateness of the notion of group-oriented reasoning, the legitimacy of the concept as well as the validity of its extension (Dan-Cohen, 2013). Despite these concerns, proponents of group agency and corporate realists insist on applying the notion of group agent to corporations. These proponents argue that though a corporation is made up of individual members,

these individual members can conceive themselves as a common entity and act as such (Dan-Cohen, 2013).

A group agent can materialize in the form of a purposive group such as a corporation (List & Petit, 2011) or a university (Tuomela, 2007). Such group units possess the ability to survive changes in membership and are made up of individuals organized to pursue a common goal (List & Petit, 2011). The ethos of a group agent determines the platform and agenda for enacting plans and setting these plans in motion. Group ethos is defined as “the set of the constitutive goals, values, beliefs, standards, norms, practices, and/or traditions that give the group motivating reasons for action” (Tuomela, 2007, p 16). A typical example of an ethos of a group is the constitution of a state or the strategic policy guidelines of a corporation. The ethos of the group defines content for group identity, criteria for group membership and the power relations within the group (Tuomela, 2007). Group identity as an element of a group agency’s ethos helps shape group focus and conditions team reasoning efforts (Bacharach 1999). Bacharach establishes team reasoning as an outcome focused orientation which has the ability to inform judgments and influence behavior of individuals within the group. In the formation of internal group and power relations, List & Petit (2011) note that it is not a requirement for group members to have equal standing. As a purposive unit, power is often vested in the person of influence to lead and unify the group towards the realization of group goals. Though power relations and group member relations may emanate from structured roles, they may also be the result of informal relationships formed within the group (List & Petit, 2011).

3.3.1. Conditions that define a Group Agent

List and Petit (2011) set out four conditions that must be met to qualify a collection of individuals as a group agent. These conditions include shared goals, individual contribution, interdependence and common awareness. Shared goals requires that each member of the group agent should intend to share and actively promote the stipulated collective intentions of the group. Promotion of these shared goals entails cooperation among group members (Searle, 1990). As a member of a group agent, each individual is expected to accept assigned obligations and strive to do their allotted part to move the group in the direction of its stipulated goals. Interdependence is exhibited in a group agent, when individual members of the group pursue the group agenda with a firm conviction that other members carry group orientations and intentions, too. A group agent promotes an environment that makes it possible for the actions of a team member to be predicated on the actions or the decisions of another team member. When common awareness exists within the group agent, each member functions with the expectation that the first three conditions of shared goals, individual contribution, and interdependence are operational (List & Petit, 2011). Hédoïn (2013) sees common understanding as a necessary condition for creating common awareness within a group and also suggests that the group agent sees itself as a unit with a common identity.

For a group agent to function effectively, the unit must exhibit a “modicum of rationality” in its formation, attitude and actions (Petit 2007, p. 495). Further, the group agent is able to operate better as a well-coordinated system when the

agent possesses some standards of performance which Petit (2007) refers to as “standards of rationality”. These standards encourage agents to apply due diligence in decision making. “Standards of rationality” basically refers to making decisions based on available evidence and taking actions that align closely with decisions that are based on facts. List and Petit (2011) maintain that rationality requires the application of proper care and due diligence in the setup and design of the group agent as these processes have an immense influence on the rationality of the unit.

Corporate personnel are members of the group agent which is the firm. They share common goals and are held to standards of performance in the execution of their individual roles and are dependent on the actions of others in order to effectively perform their duties. Thus, the corporate philanthropic decision process will be impacted by the norms and goals of the group agent.

3.4. Financial information in donation decisions

Canadians are paying much more attention to the work of charities and questioning how funds donated to charities are being managed and the social impact these charities achieve (The Globe and Mail, 2012). Though financial information on charities is not the only consideration in the assessment of the organizational quality of a charity (Wall Street Journal, 2011), it is seen as an excellent starting point (The Globe and Mail, 2010). Public trust and confidence are key factors in the fundraising efforts and survival of charitable organizations. The Muttart Foundation, a Canadian based non-profit organization, published the “Talking Charities” report in 2013- a report which surveyed close to 4,000

individuals on their perceptions of Canadian charities (The Muttart Foundation, 2013). The study found that the level of public trust in managers of Canadian charities had fallen to 71% in 2013 from a high of 80% in 2004. Nearly 70% of respondents were also of the view that charities spend too much on fundraising and administration expenses. Donors have also raised concerns about high executive salaries of non-profits (Emerson, 2010).

Despite concerns about trust and the application of donor funds, Akerlof (1970) asserts that sellers (i.e., managers and fundraisers of charities) can use signaling effects to project their services as high quality, unique and distinguishable from “lemons” (in this case, less well managed charities) being offered by other organizations. Managers of charities are better informed than potential donors and are in a better position to judge the organizational quality of their charities (Posset & Sandler, 1989). Charities can adopt signaling mechanisms such as the voluntary disclosure of financial statements and non-financial information in the form of service efforts and accomplishments (SEA) in their fundraising efforts as a means to bridge the information gap. Within the capital markets literature, voluntary disclosure has been found to improve market liquidity (Bloomfield & Wilks, 2000). By extension, although charities are non-profits, they can obtain similar benefits by adopting voluntary disclosure (Buchheit & Parsons, 2006) as a mechanism to gain legitimacy and improve the chances of success of their fundraising campaigns. In fact, donors are more likely to make contributions to charities when they are better informed through

adequate disclosures (Gordon, Greenlee, & Nitterhouse, 1999; Trussel & Parsons, 2007).

A charity's accounting information is a major disclosure tool the charity can adopt to inject trust and confidence into its publicity efforts. An important function of accounting information is to aid the assessment and evaluation of an organization's financial strength and to assist user's decision making. The use of accounting information by potential donors of charities and their sensitivity to the financial considerations of charities may differ between different classes of donors (Tinkleman, 1998). Compared to individuals, corporations are more likely to research and evaluate potential recipients of donations (Tinkleman, 1998).

Other users of accounting information of charities are independent charity rating agencies which gather and structure charity profiles through publicly available information to aid the research and evaluation efforts of donors. These organizations assess categories such as governance, financial transparency, and human resource practices which Sloan (2009) terms accountability measures of charities. One major charity aggregator is Charity Navigator which uses a range of financial ratios and peer benchmarks to rate charities (Charity Navigator, 2015). The Better Business Bureau (BBB), the oldest charity aggregator, began rating charities in 1945 with its Philanthropy Advisory Service (PAS) which merged with the National Charities Information Bureau (NCIB) in 2001 to form the BBB Wise Giving Alliance (Better Business Bureau, 2015). The BBB assesses the operational efficiency of charities using quantitative and qualitative metrics to rate charities either "pass" or "fail". These include a set of 20 standards

that it uses to monitor the operations and financial stability of charitable organizations (Stanford Social Innovation Review, 2005). Although there is no consensus on the particular measures to include in the evaluation of financial statements of charities (Trussel & Parsons, 2007) or generally accepted criteria for evaluating the effectiveness of a charity (Tinkleman, 1998), the BBB asserts that ratings and standard metrics used by rating agencies have an impact on donation decisions of donors (Better Business Bureau, 2015). It is, however, not clear whether donors seek financial information before making donation decisions (Gordon et al., 2009).

Prior findings on the relevance of accounting information in the making of donation decisions have been largely inconclusive, producing mixed results at best. Sloan (2008) used BBB's standards for charity accountability in his study of the effect on donations to charities of accountability ratings, specifically BBB's pass and fail ratings of charities. Sloan found that BBB's "pass" ratings had a statistically significant impact on donations. However, "did not pass" ratings were insignificant in their impact on donations. In a similar study, Tinkleman (1998) sampled charities in New York in his study of joint cost allocation and found a positive and significant correlation between ratings of charities and donation amounts given by institutional donors such as corporations. This correlation was also positive for individual donors but was insignificant. Tinkleman attributed the lack of significant relationship for individual donors to high search costs associated with the acquisition of information on charities.

Potential donors are likely to require evidence of organizational quality of soliciting charities when the donor is not in a position to directly observe the social impact of the contributions (Parsons, 2007). Studies report that when donors analyze the financial information of a charity, they are interested in the effectiveness and the efficiency of the charity's operations (Parsons 2003; Cherny et al., 1992). Parsons (2003) defines efficiency as the degree to which a non-profit organization directs its available resources to the organization's mission. Anthony and Young (2003) measure efficiency as the ratio of a charity's inputs (i.e., resources) to a charity's outputs (i.e., services). Other useful measures of efficiency include a charity's program services, compared to fundraising and administrative expenses (Parsons, 2003). Parsons (2001) conducted a field experiment and reported an increase in donor contributions when these efficiency measures were provided directly with the request for funds. Greenlee and Brown (1999) also provide similar evidence of an association between efficiency measures and total donations.

Effectiveness, on the other hand, is the degree to which the wants and needs of a charity's beneficiaries are satisfied (Cherny et al, 1992). Though measures of a charity's effectiveness are difficult to ascertain (Parsons, 2001), supplemental disclosures in the form of SEA are seen as the best measures of an organization's effectiveness (Brace et al., 1980). These measures speak to how well the programs of a charity have improved the lives of beneficiaries.

Buchheit and Parsons (2006) conducted a study on the impact of SEA disclosures of charities on donor decisions using an experiment. Half of the

participants were presented with the SEA reports which included a description of both financial and non-financial metrics on charities, while the other half received no supplemental information. Participants who were presented with information about the success of programs rated the performance of the charity more highly and indicated an increased willingness to donate to the organization. However, when asked to make a cash donation by forgoing a token prize, there was no difference between the group that received the information and the group that did not. Buchheit and Parsons (2006) show that even though potential donors indicate they want information on charities, this type of information does not increase the likelihood of a donation. Nonetheless, standards and thresholds on cost categories of charities reported by charity aggregators are seen as useful tools for potential donors (Keating et al., 2008).

Some stakeholders have criticized the categorization of charities as either 'good' or 'bad' by organizations such as the BBB. Baber et al. (2002) see charities with very high program ratios as vulnerable to external shocks, whereas relatively low program ratios may be the result of much needed, one-off fundraising investments. Notwithstanding these concerns, Silvergleid (2003) asserts that charity aggregators and industry watchdogs ensure the quality of their rankings by comparing ratios with those of subsector peers but encourages donors to perform more extensive due diligence in the making of philanthropic decisions.

3.5. Emotional intelligence

In addition to the use of financial information, many studies have highlighted the role empathy and altruism play in inducing individual donation behavior (Small & Verrochi, 2009; Griffin & Babin, 1993; Eisenberg & Miller, 1987). It is equally possible that donations made by corporations are impacted in a like manner. Charitable organizations seek to elicit positive affective responses towards their causes by employing mediums that appeal to the empathetic sides of donors (Basil et al., 2008) as a means to improve fundraising success.

In the selection of a charity, donors are encouraged to be mindful of influences of personal affinity by employing a rigorous, rational and comprehensive assessment of charities before donating funds. Although emotions are innate and unavoidable (Goleman, 1998), a person's ability to accurately manage his/her emotions is critical to the individual's decision making efforts and this ability is a function of the individual's emotional intelligence (EI) (Stanovich & West, 2000).

The term emotional intelligence was coined by Mayer and Salovey in 1990 (Mayer & Salovey, 1993). EI is "the competence to identify and express emotions, understand emotions, assimilate emotions in thought, and regulate both positive and negative emotions in oneself and others" (Matthews et al. 2004, p. 15). The notion of EI does not dismiss emotions as relevant information in decision making. It recognizes emotions as a source of information that can be used in a prudent manner for decision making. Within the corporate environment, EI has been found to be effective in improving workplace performance (Dries &

Pepermans, 2007; Lopes et al., 2006) and managing conflicts within a group (Jordan & Troth, 2002). In a practical sense, merely possessing EI is not enough to guarantee individual and occupational success (Webb, 2009). EI, however, provides a foundation for making goal-oriented advancements in everyday living.

Goleman et al. (2001) present four essential clusters of emotional competencies that are critical components of EI - self-awareness, social awareness, self-management, and relationship management. In a group agent's charitable action, these elements would likely improve a team member's appreciation of what his/her group agent intends to achieve with the charitable gesture and his/her ability to work with others to achieve those goals.

Self-awareness as an attribute of EI can act as an important prompt for individuals in the making of philanthropic decisions. Being self-aware means you are alert to the biases your emotions may present in the execution of seemingly simple tasks such as the selection of a recipient charity. Self-awareness also has an effect on an individual's understanding of set goals and objectives (Goleman, 1998). This attribute of an emotionally intelligent individual is particularly important in a corporate environment where employees must remain cognizant of the overall corporate strategy and understand their assigned role in achieving strategic targets. When a person has a deep understanding of his/her emotions and is able to manage them properly, he or she is better positioned to select a charity that "is good" and "does good" in the eyes of the group when given the mandate to do so. Such a person would likely make corporate philanthropic

choices that align best with predetermined goals, corporate strategy and/or established corporate donation policies.

Self-management calls for restraint and the proper management of feelings and impulses (Goleman, 1998). A key part of self-management is self-control. A self-regulated and controlled individual has the “propensity to suspend judgement” when faced with disruptive impulses (Goleman, 1998) in the form of emotions. Self-control “frees us from being prisoners of our feelings” (Goleman, 1998) and makes us more productive in executing everyday tasks. A self-controlled individual knows his/her role within the broader strategic focus of a group and therefore makes the decisions and contributions that ultimately moves this strategy forward (Boyatzis, 1982). High EI has been found to increase the propensity of an employee to refrain from organizational deviance as employees with high EI are seen as individuals who are more cognizant of the value of goal congruence on work engagement (De Clercq et al., 2014).

Goleman et al. (2001) break down the social awareness cluster into three main competencies - empathy competence, service competence and organizational awareness. Goleman (1998) sees empathy competence as the easiest to detect among the three competencies of social awareness. Empathy calls for the awareness of the emotions of people and the appreciation of the feelings of others. The empathy competence helps individuals become better readers of non-verbal cues (Goleman et al., 2001) and this helps improve group interaction (Pilling & Eroglu, 1994; Spencer & Spencer, 1993). A service competent person looks at the long term picture by forgoing immediate gains to

help maintain relationships and forge tighter group bonds. In terms of advancing group relationships and building networks, organizational awareness equips an individual with the “ability to read the currents of emotions and political realities in groups” (Goleman et al., 2001, p.8). Service competence and organizational awareness would likely improve a team member’s appreciation of what his/her group agent intends to achieve with a charitable gesture as well as his/her ability to work with others to achieve those goals.

Building group bonds, as well as trust and goodwill among team members depends in part on one’s relationship management skills (Goleman et al, 2001). The relationship management cluster includes competencies such as influence, communication, conflict management, teamwork and collaboration. Influence competence empowers individuals to seek group goals as opposed to individual interests. The proper management of relationships also involves keeping lines of communication open and seeking ways to manage conflicts effectively within the group. These competencies equip the individual with the ability to effectively debate issues and reach compromises that ultimately move the group agenda forward. Individuals that exhibit relationship management competencies often emerge as the most productive ones (Goleman et al., 2001) and that productivity would likely be exhibited in the rational approach to selecting recipient charities of the team.

EI is increasingly gaining recognition as an important management skill. Many entities have found the need to incorporate EI tests into hiring protocols and staff training processes (Nicholls et al., 2012). Within the corporate

environment, decision makers' "financial EI" is seen as a critical element in making decisions of a financial nature (Caldarola, 2014) such as the assessment of financial management of a charity for decisions regarding corporate philanthropic purposes. Caldarola defines "financial EI" as an individual's "ability to use and adapt emotions to achieve optimal financial reasoning" (Caldarola, 2014 p.70). For a corporate entity, optimal financial reasoning is one that produces results that align closely with the strategic goal of the business.

The study of the impact of EI in the making of financial decisions has largely been underdeveloped. Within the accounting literature, EI remains a relatively new domain despite its theoretical potential as a construct. Two distinct conceptualizations of the concept (i.e. Trait EI and Ability EI) have emerged within the current stream of literature on EI (Petrides & Furnham, 2003). Trait EI encompasses skills and personality traits such as empathy, problem solving and stress tolerance (Cook et al., 2011). Mayer et al. (2001) define the ability concept of EI as ability to recognize emotions and respond appropriately to them. As a much more "scientifically plausible and practically meaningful" variant of EI (Zeidner et al., 2009, p.99), the ability-based conceptualization of EI is adopted for this study as it is also a better fit for examining the role of a donor's EI in making donation donations .

4. HYPOSTHESIS AND MODEL DEVELOPMENT

4.1. Corporate donation decisions

As cited in prior studies, corporate donors place value on the financial information of charities when such information is presented. The attention placed on such information should be stronger when the donation culture of the group mandates it. A charity that possesses sound financial management information is likely to be selected by the assigned team member, if the group constraints mandate the team member to select a charity that maintains prudent financial management practices and one that maximizes the impact of its activities on beneficiaries. For the same reasons, a corporate donation environment that stresses donations to charities with missions that are congruent with the mission of the corporation will likely be effective.

H1: There is a positive relationship between the financial information of a charity and a member of a group agent's decision to donate to the charity.

H2: There is a positive relationship between the mission congruence of a charity and a member of a group agent's decision to donate to the charity.

When an individual is part of a group and donates on behalf of that group, the individual is affected by the donation culture of the group. Though affective responses may increase the tendency for an individual to donate to a particular charity, guidelines (if any) under a group's corporate donation culture serve as a check to these responses when the individual is part of a team and is empowered to make donations decisions on behalf of the team. In the current

study, corporate guidelines required the choice of a charity that passes the BBB's financial standards and whose mission is related to the mission of the corporation. While prior studies provide no evidence on which to base a directional hypothesis, theory would suggest that the corporate donation culture should override the personal affinity toward the charity.

H3: When making donations on behalf of a group, the decision maker's affinity for a charity will be less important than the financial information about the charity.

H4: When making donation on behalf of a group, the decision maker's affinity for a charity will be less important than the charity's mission congruence with the corporate mission.

At higher levels of the team member's emotional intelligence, a heightened sense of affective and group awareness exists with respect to the mandated donation decision. Boyatzis (1982) establishes that EI improves a team member's awareness and appreciation of group goals and reduces the likelihood of organizational deviance. There is no prior research that allows for a directional prediction.

H5: There will be an interaction between emotional intelligence and the impact of a group member's (mandated to donate on the group's behalf) affinity for a charity on the decision to donate to the charity.

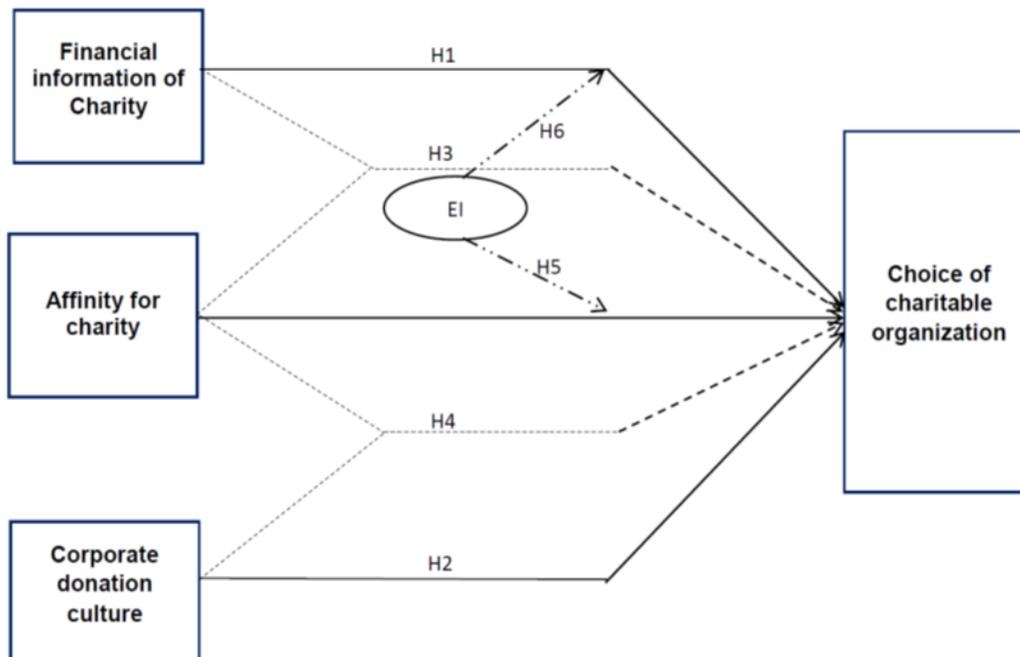
Decision makers with higher levels of emotional intelligence may be better able to understand the relationship between strong financial information and

achievement of the charity's organizational goals. They may also be better able to consider a balance between affinity towards charities and financial information. As with the interaction between EI and affective responses towards charities, there is no prior research that allows for a directional prediction, however, the concept of financial EI (Caldarola, 2014) suggests an interaction effect

H6: There will be an interaction between emotional intelligence and the impact of the financial information of a charity on an institutional donor's donation to the charity.

Figure 1 provides a conceptual model for the corporate donation decision.

Figure 1- Conceptual model of corporate donation decision.



4.2. Individual donation decisions

As cited in prior studies, affinity towards a charity can positively influence individual donation decisions (Neuberg et al., 1997; Dillard & Peck, 2000). Thus, we hypothesize that, when making the decision as an individual, more funds will be allocated to charities for which the potential donor feels a strong affinity.

H7: An individual donor's affinity for a charity is positively related to the level of donations to the charity.

At higher levels of a donor's emotional intelligence, a donor is better positioned to fine-tune his or her affinity towards the charity in making the donation decision at hand. Emotional intelligence should enable the decision maker to effectively use the information value of other information sources to make decisions about the donation, while at the same time carefully considering how important affinity towards the charity is, what caused the affective reaction and whether other, less affective-laden considerations are also important. Without sufficient evidence from prior literature, we make no directional prediction for this hypothesis.

H8: There will be an interaction between emotional intelligence and the impact of affinity for a charity on the size of the donation.

While the evidence is not strong, there is some support for a positive impact of sound financial management information on donations as cited above. In responding to donation requests from multiple organizations, an individual

donor may be more likely to choose a charity which can provide evidence that it maximizes the well-being of beneficiaries.

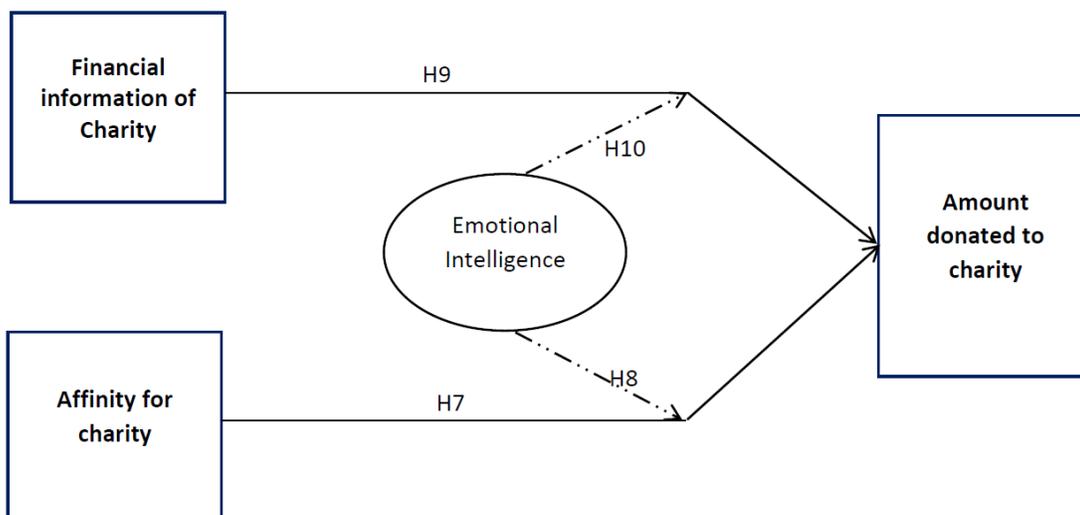
H9: There is a positive relationship between positive financial information of a charity and the level of donations to the charity.

The concept of EI suggests the use of a range of information sources in managing emotional responses. Individual donors with higher levels of emotional intelligence may be better able to understand the relationship between strong financial information and the social impact of the charitable organization. They may also be better able to consider a balance between affinity towards charities and financial information. As with the interaction between EI and affective responses towards charities, there is no prior research that allows for a directional prediction.

H10: There will be an interaction between emotional intelligence and the impact of the financial information of a charity on the size of the donation.

Figure 2 provides a conceptual model for the individual donation decision.

Figure 2- *Conceptual model of individual donation decision.*



5. METHODOLOGY

The study employs an experiment to test the predicted relationships. Participants were recruited from 4th year accounting, Master of Accounting and core MBA courses. Potential participants were told they would receive a “show-up” fee of \$10 with the potential to earn an additional \$20 under certain conditions. The first part of the compensation is necessary to encourage committed participation. The second part of the compensation is intended to encourage accurate completion of the experimental tasks and to provide funds to each participant for the individual donation decision.

Prior to attending the experimental sessions, participants completed the MSCEIT (*Mayer-Salovey-Caruso Emotional Intelligence Test*), a commonly used instrument to assess ability emotional intelligence. The MSCEIT measures an individual’s ability to perceive and manage emotions. The MSCEIT reports results for total EI as well as two main area scores: experiential EI and strategic

EI (reasoning). The experiential EI examines an individual's ability to "perceive, respond, and manipulate emotional information without necessarily understanding it" (Mayer, Salovey & Caruso, 2002). The strategic EI score, on the other hand, looks at how an individual is able to "understand and manage emotions without necessarily perceiving feelings well or fully experiencing them" (Mayer et al., 2002, p 18).

At the experimental sessions, participants made actual individual donation decisions and role played management/corporate donation decision making in small groups. All participants were told that an extra \$20 could be earned if the decisions of the group were internally consistent and if all three team members followed the directions provided. In reality, all participants were awarded the premium. The availability of this amount was necessary to satisfy the definition of a donor (a person or entity willing and capable of making a cash donation to a charity). The participants were given the opportunity to donate all or part of this \$20 (in multiples of \$2) to one or more charities from a list provided. Those who chose to donate an amount received written verification of their choice. Those who chose to keep this amount received it in cash in addition to the show-up fee.

Six charities were presented in total (Children's Wish Foundation, Canadian Mental Health Association, Canadian Cancer Society, Spinal Cord Injury Ontario, Nature Conservancy of Canada and Adult Learning foundation-Ontario). These charities were selected to illicit a range of emotional responses from participants .They were also selected to achieve a significant representation of charities that passed BBB's ratings and those that failed the ratings. Further, some of the

charities had missions that related to the corporate mission of the corporation from the role play and others did not. Information on the charities presented included the financial information on the charities, BBB ratings and mission information from the charities' own websites.

For the corporate role play, participants were randomly assigned to a team of three-each member was then randomly assigned to one of three roles: Executive Director of Strategy (ED), Vice President (VP) for Ontario and Regional Director (RD). Role playing was necessary to create the required conditions of group agency. The role play required that each participant make three decisions as a member of a fictitious corporation

Three clear goals were provided for this fictitious corporation to achieve in the next financial year. This information provided the team with common goals they could share in and advance as a unit. Each team member was presented with the same descriptive and financial information about the fictitious corporation. They were also provided with the same information on the corporation's goals. This was done to create a condition of common awareness of the group environment by all three team members. Each team member was given three specific individual duties to execute. These duties were designed in a manner that ensured that each person made individual contributions that tied into each of the three shared goals of the corporation. Though each individual was expected to make his/her own decision independently, team members were asked to make decisions that could only be made after the decisions made by

other team members and required information about those prior decisions. This was necessary to create interdependence within the group environment.

Two of the decisions in the corporate decision session were filler tasks intended to prevent participants from focusing on the donation decision to the exclusion of other considerations. In addition, these tasks were used to help in generating the conditions necessary for group agency and to create a team-thinking environment. The first of these questions was a corporate expansion decision. Based on information provided, the ED selected the business line and the number of locations to be expanded within the VP's territory. After receiving this information from the ED, the VP of Ontario allocated the number of outlets to be opened between two regions. Based on the VP's allocation, the RD chose in which city to open the new outlets. The second filler task required participants to select an employee for promotion. Both the VP and RD nominated a subordinate for promotion, using information provided. The ED chose to accept or reject the nominees.

The third corporate decision (each member of the team made these decisions in a different order) was the donation decision. In some experimental sessions, the corporate entity described to the participants had a donation culture based on a set of strict rules, while in others general guidelines were provided. The guidelines stated that personnel should select charities with a stated mission and programs which closely align with the mission of the corporation and that care should be taken to select a charity that uses funds efficiently and effectively. The rules variant provided specific and detailed criteria for the selection of

charitable organizations. Each participant was told to choose which charity would receive a corporate donation in the amount of \$1,000.

The corporate donation decision was significantly different and was unrelated to the individual donation decision. The monies donated to the charities for the individual donation decision were actual amounts and were participant's personal funds (i.e. \$20 earned for their efforts). Unlike the individual donation decision, the amount donated (\$1000) to the selected charity for the corporate donation decision was a fictitious amount. The two other corporate tasks were hypothetical tasks. It was therefore appropriate to use a fictitious figure for the corporate philanthropic decision (which was also a hypothetical task performed on behalf of the group). Finally, the corporate donation decision required participants to choose one and only one recipient charity, while participants could choose to donate nothing, or to keep some of the funds and donate some and to donate to one charity or to donate to several charities.

At the beginning of the experimental session, participants received a packet with all the necessary materials. This included a demographics questionnaire, an experimental task description sheet, an appendix containing specific financial and non-financial information required to make each decision, a form on which to record each of the corporate decisions, a donation decision form for the personal donation decision, a task information response instrument and a post experimental questionnaire. The demographics questionnaire included questions on gender, age, educational background, and the participant's work experience. The task description sheet explained step by step what was

required of the participant. It described the corporate entity which formed the focus of the corporate decision-making portion of the experiment, stated the requirements of the participant's assigned role and the order in which the decisions should be made and provided a clarification of what the participant should expect from his/her team members.

The task response sheet assessed the participant's level of affinity towards each of the six charities as well as the participant's response to a variety of business decisions related to the other two tasks. These were added to prevent too strong a focus on the donation decision. These questions were assessed on a 5-point likert scale anchored by strongly positive to strongly negative. The post experimental questionnaire contained manipulation checks on the group agency condition that was created. Specific questions on shared goals, individual contribution, interdependence and common awareness were provided. A section of the questions on this instrument assessed how well a participant identified the difference between the individual donation decision and the corporate donation decision. In assessing participant's appreciation of this difference, the instrument evaluated the extent to which participants used the quantitative and qualitative information in their decisions. Finally, the instrument contained a manipulation check for the rules versus guidelines of the corporate donation culture. The post experimental questionnaire rated responses on a 5-point scale from strongly agree to strongly disagree.

In half of the sessions, participants made the individual donation decision first. Participants in the other half of the sessions made the corporate business

decisions first. In the sessions in which the individual donation decision was not completed first, the task information response instrument was completed first. In the other half, this activity was completed after all three corporate decisions have been made. At the conclusion of the experimental session, each participant completed a post experimental questionnaire.

All experimental materials were pretested in a class setting before the main experiment. Adjustments were made to the experiment on the basis of the feedback acquired from the pretest.

6. ANALYSIS

A total of 124 students completed all aspects of the study. Fifty of the participants completed the guidelines variant of the experiment while the remaining 74 completed the rules variant. Table 1 contains demographic information for participants by experimental condition. In addition, Table 1 provides average scores on the EI measure, the MSCEIT. Overall, 67% of the participants were female and 33% were male. The average age of the participant group was 23.61 years and most of the participants were graduate students. There were no differences between experimental conditions on any of the demographic variables or on average score on the MSCEIT. Consistent with prior studies, women scored slightly higher than men on the MSCEIT (Zeidner et al. 2009). Average scores were 86.36 and 86.29 for female and male participants respectively.

Guidelines	Rules	Total
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N	50	74	124
Gender (%) ^a	64	69	67
Age	23.23	23.85	23.64
MSCEIT	87.49	83.52	85.14

^a Percentage of female participants

Figures for age and MSCEIT scores are averages

*** $p < .01$. ** $p < .05$. * $p < .1$.

Table 1. *Descriptive Statistics*

The developers of the instrument propose the following guidelines for interpretation of MSCEIT scores: respondents with scores below 70 are placed in the “consider development” category. Scores between 70 and 89 fall within the “consider improvement” category. Scores between 90 and 99 are considered as low average scores, and those between 100 and 109 are placed in the high average range category. Scores between 110 and 119 are considered competent scores and those above 120 indicate that the respondent has a strength in the skill. For my study sample, average scores on the MSCEIT for most groups were in the lower average range (scores on the MSCEIT are normalized around an average of 100).

Table 2 contains mean responses for the measure of the participants’ affinity toward the six charities in the study. The average subject ranking for all charities was 2.136 indicating a positive affinity for the charities presented to participants. Except for the Canadian Mental Health Association, and a marginal difference for Children’s Wish Foundation, there were no differences between experimental conditions for responses on affinity toward the charities.

Table 2. *Affinity for Charity*

Charities	Mean			F	Sig.(2-tailed)
	Guidelines	Rules	Total		
Children's Wish	2.37	2.00	2.15	3.453	0.066*
Canadian Mental	2.12	1.68	1.86	9.224	0.003***
Canadian Cancer Soc.	2.12	2.23	2.18	0.298	0.586
Spinal Cord Injury-Ont.	2.38	2.30	2.33	0.172	0.679
Nature Conservancy	2.39	2.03	2.13	3.175	0.077*
Adult learning	2.17	2.16	2.16	0.001	0.978

*** $p < .01$. ** $p < .05$. * $p < .1$.

Table 3 shows the result of comparison between responses to questions about the individual donation decision compared to the corporate donation decision. Comparisons were conducted for each of the five characteristics of group agency. There were highly significant differences for interdependence, common goal and individual contribution. This indicates a strong group environment and the success of the experimental creation of group agency.

Table 3. *Post Experimental Results – Group Agency*

Group conditions	Mean		S.D	t-value	Sig.
	Individual	Corporate			

Interdependence	3.35	2.59	1.285	-6.276	0.000***
Common awareness	2.03	2.07	0.970	0.284	0.777
Common goal	3.50	2.02	1.466	-10.989	0.000***
Individual contribution	2.27	1.65	1.061	-6.423	0.000***
Individual v corporate funds	2.29	2.41	1.391	0.923	0.358

Table 4 indicates that participants did not recognize the guidelines corporation donation environment as significantly different from the rules variant with respect to the donation decision. Despite the difference in instructions, participants in both variants placed value on the business line fit and financial information of the charities. This suggests that participants were likely to make corporate philanthropic decisions that align best with the corporate identity or the group ethos as long as there existed some form of guidelines whether binding or not.

Table 4. *Post Experimental Results – Guidelines v Rules*

Group conditions	Mean		S.D	t-value	Sig.
	Guidelines	Rules			
Use of information on business line fit	2.104	2.07	0.931	0.195	0.846
Use of financial information of charities	1.854	2.04	0.639	-1.084	0.280
Specific guidelines	2.60	2.39	.885	0.944	0.189
General and liberal guidelines	2.48	2.72	1.050	0.576	0.174

*** $p < .01$. ** $p < .05$. * $p < .1$

6.1. Corporate donation decision

A general linear model was used to analyze the corporate donation decision¹. The charity selected was the dependent variable. The independent variables included the financial information of the presented charities, participant's affinity for the charities, a dummy to indicate whether the participant completed the affinity for charities questionnaire before making the donation decision or after, the emotions management (EM) branch score from the MSCEIT², corporate donation culture (guidelines versus rules), the interaction between EM and affinity for the charity and the interaction between EM and financial information. The results are contained in Table 5. Financial information is coded as 1 if the charity passed BBB's financial threshold and 0 otherwise. The experimental variation for donation culture is coded as 1 if the participant completed the guidelines variant of the experiment, and 0 if the rules variant was completed. The experimental variation for affinity for charity is coded as 1 if the participant completed the affinity for charity instrument before making the corporate donation decision and 0 otherwise.

As can be seen in Table 5, there is strong evidence that participants paid attention to the financial information of charities. This result provides support for

¹ There was a request by a reviewer for a multinomial logistic regression to be used for the corporate donation decision instead of a general linear model. When compared to the multinomial logistic regression, the general linear model emerged as a conceptually superior approach and a better fit for the purpose of this study. The multinomial logistic regression had a reference category which did not fit into the framework of this study in terms of purpose, the experimental approach and how decisions were made by participants.

² We tested the models for both the corporate and individual donation decisions with all the branch scores of EI. The emotions management (EM) branch score was the only score that was significant. For the rest of this paper, I use the EM branch score of EI to analyze both the corporate and individual donation decisions.

hypothesis 1. Affinity towards the charities has a marginally significant impact on the charity selected. The result shows that affinity for charities had less impact on the corporate donation decision than the financial information of charities providing support for hypothesis 3. The experimental variations created for the corporate donation culture (guidelines and rules) were also significant to the corporate donation decision indicating support for hypothesis 2. This indicates that, although participants might not have perceived one treatment differently from the other, there was an impact of corporate donation culture on the decisions. Table 5 also provides support for hypothesis 4. The table shows that affinity for charity was less important than the charity's mission congruence with the corporate mission.

The main effect for EM of participants was insignificant to the corporate decision. However, both (financial information and affinity for charity) interactions with EM are significant implying support for hypotheses 5 and 6. This indicates that EM was activated when additional information such as financial information of presented charities and affinity toward the charities were being considered.

Table 5- *GLM Analysis-Corporate Donations: Tests of Between-Subjects Effects*

Dependent Variable: Charity

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	67.563 ^a	11	6.142	3.831	.000
Intercept	4.205	1	4.205	2.623	.108
Financial information(FI)	7.697	1	7.697	4.801	.031**
Affinity for charity	12.114	3	4.038	2.519	.062*
EM	7.059E-005	1	7.059E-005	.000	.995
EV.1 ^b (Donation culture)	8.142	1	8.142	5.078	.026**
EV.2 ^c (Experimental order)	2.293	1	2.293	1.430	.234
Affinity for charity x EM	11.408	3	3.803	2.372	.075*
Financial information x EM	4.636	1	4.636	2.892	.092*
Error	168.352	105	1.603		
Total	1178.000	117			
Corrected Total	235.915	116			

*** $p < .01$. ** $p < .05$. * $p < .1$.

^a R Squared = .286 (Adjusted R Squared = .212)

^b EV.1(Donation culture) = Experimental variation for corporate guidelines(Guidelines v rules)

^c EV.2(Experimental order) = Experimental variation for affinity for charity

6.2. Individual donation decision

The analysis for the individual donation decision was conducted in two steps. First, we analyzed the decision of whether to donate anything or keep the \$20 experiment fee. Following, we analyze the choice of charity for those who chose to donate. For the decision to donate or keep the money, we performed a logistic regression with a bivariate dependent variable, coded as 1 if any amount was donated, and 0 otherwise. The independent variables were each participant's average response to affinity for all charities, gender, size of experimental session, the session's average donations, and the experimental variation of timing for completion of the affinity towards charities instrument. The size of session is coded as 1 if an experimental session had more than 12 participants, and 0 otherwise. The experimental variation created for affinity is the same as the corporate donation and therefore has the same coding. For the

analysis of the individual donation, a code of 1 for this variation also means that the participant was presented with financial information on the charities before making the decision to either donate or not to donate, and 0 otherwise. The results of the analysis are presented in Table 6.

Table 6. *Logistic regression – Individual Donation*

Dependent Variable: Donate or Not to Donate

Source	B	S.E.	Wald	df	Sig.	Exp(B)
Affinity for charity	.476	.300	2.518	1	.113	1.609
Gender	-.778	.491	2.513	1	.113	.459
Size of session ^a	-2.230	.544	16.809	1	.000***	.107
Avg. session donation	.232	.086	7.356	1	.007***	1.262
EV 1 ^b (Experimental order)	2.152	.566	14.479	1	.000***	8.603
Constant	-1.968	1.254	2.463	1	.117	.140

*** $p < .01$. ** $p < .05$. * $p < .1$.

^a Size of session = Size of session is coded as 1 if an experimental session had more than 12 participants, and 0 otherwise

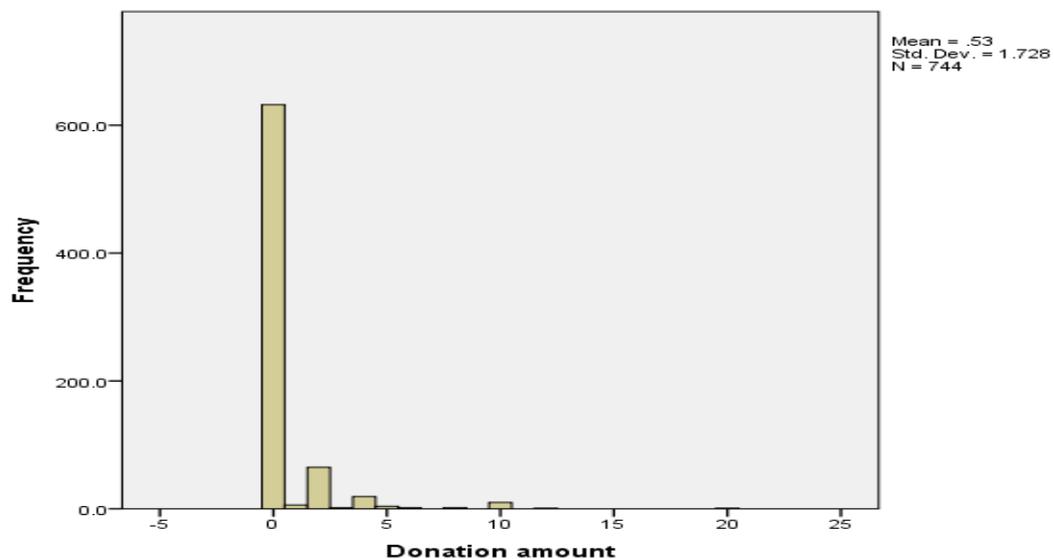
^b EV(Affinity) = Experimental variation for affinity for charity

As can be seen, neither participants' gender nor affinity towards the charities impacted the decision to donate or not. The size of the experimental session is negatively related to the decision. This indicates that participants are more likely to donate if they are in a session with fewer people. The average donations contributed per session was positively related to the donation decision. Consistent with Macaulay (1970), this result shows that individual donations are influenced by seeing other individuals donate. Table 6 also shows that the experimental variation created for affinity for charities was highly significant and positive. This provides evidence that participants were more likely to donate if they had information on the financial management of the soliciting charitable

organization or had already been asked about their feelings regarding the charities.

A repeated measures generalized linear mixed model (i.e. both fixed and random effects) was used to analyze the choice of charity, given a decision to donate. The dependent variable was the amount donated. The independent variables used for this model included the financial information on charities, EM, gender, the participant's affinity toward the charity/charities receiving the donation, the interaction between EM and affinity and the interaction between EM and financial information. Because most of the 43 participants in this analysis donated to only one or two charities, the dependent variable (amount donated) has a highly skewed distribution (see Figure 1).

Figure 3. *Histogram of Donation Amounts across All Charities and Individuals*



To account for this highly skewed distribution, an assumption is made that the randomness of the dependent variable (amount of donation) follows a Poisson distribution. The model assumes that the dependent variable is related

to the independent variables and their covariates in a loglinear manner. The observations are allowed to be correlated as they are measured multiple times for each individual (6 times per individual). The results of this analysis are reported in Table 7.

Support for hypotheses 7 and 8 is provided in Table 7. As can be seen, affinity towards charities is positively related to the amount of donation which suggests that positive affinity response towards charities attracts more donations. For this model, each level of the 5 responses to the instrument is compared against a base response of “strongly negative”. The marginally significant interactions between affinity and EM indicate that, at higher degrees of affinity, EM is likely to decrease the level of donation. The main effect for EM also has a significantly positive impact on the amount of donations. The marginally significant coefficient for gender indicates that women may donate more than men. Financial information and its interaction with EM were not statistically significant indicating a lack of support for hypotheses H9 and H10.

Table 7. Generalized Linear Mixed Model
 Dependent Variable: Amount Donated^a

Model Term	Coefficient	Std.Error	t	Sig	95% Confidence Interval	
					Lower	Upper
Intercept	-26.974	11.487	0.19	-49.525	-49.525	-4.422
Gender	0.702	0.395	1.780	0.076*	-0.072	1.477
FI	0.630	2.071	0.304	0.761	-3.436	4.697
EM	0.241	0.116	2.087	0.037***	0.014	0.468
AffinityScale1	22.659	11.486	1.973	0.049***	0.109	45.209
AffinityScale2	22.903	11.772	1.946	0.052*	-0.208	46.014
AffinityScale3	23.907	12.578	1.901	0.058*	-0.787	48.602
AfinityScale4	21.473	12.387	1.1733	0.083*	-2.847	45.793
EM*FI	-0.014	0.024	-0.572	0.567	-0.061	0.033
EM* AffinityScale1	-0.210	0.115	-1.821	0.069*	-0.437	0.017
EM*AffinityScale2	-0.217	0.119	-1.825	0.068*	-0.451	0.017
EM*AffinityScale3	-0.231	0.129	-1.793	0.073*	-0.484	0.022
EM*AfinityScale4	-0.202	0.126	-1.605	0.109	-0.449	0.045

***p < .01. **p < .05. *p < .1.

6.3. Post hoc analysis

I performed exploratory posthoc analyses on the total sample. I partitioned the sample into two groups – participants who scored below the median (86.95) EM branch score of EI and participants with scores above the median EM branch score. I coded scores above the median EM score as 1 and scores below the median as 0. I performed this partition to understand the role interactions with EI play in situations where a corporate team member is mandated to select a charitable cause for corporate philanthropic purposes or an individual makes a donation decision.

6.3.1. Posthoc analysis - Corporate donation

I performed a general linear model analysis for the corporate donation decision with charity selected as the dependent variable and included the financial information of charities presented, participant's affinity for the charities, and the experimental variation for affinity as the independent variables. From table 8, the results show that for participants who scored above the median EM score, the only significant variable was the financial rating of the charities presented. For participants who scored below the median EM score, affinity for charity presented and the financial information of the charities were significant as well as whether they had been asked about their affective responses to the charities before making the donation decision.

The results suggest that participants who scored above the median score performed a much more focused selection of the charity in the midst of competing considerations. They singled out the financial information of the charities as the most important factor to consider when selecting a charitable organization on behalf of a corporation. They also did not allow their preference or otherwise for the charities presented to override their analysis of the operational efficiency of the charities presented. They considered the value for money impact of the corporate funds they had been entrusted with and made decisions that had both financial and societal impact. Further, the results suggest that the choice of charity by participants who scored below the median score was impacted by a number of competing factors including their affinity for the charity presented. They did not make a focused selection and did not identify an

overwhelming factor that was relevant to the corporate donation decision. In addition, it is likely that their decisions were swayed by having been asked about their affinity for the charities before making the donation choice.

Table 8- GLM Analysis-Corporate Donation (High and Low EM)

Dependent variable: Charity

	Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Low EM	Corrected Model	46.863 ^a	5	9.373	6.221	.000
	Intercept	58.876	1	58.876	39.078	.000
	Financial information	31.320	1	31.320	20.788	.000***
	Affinity	12.246	3	4.082	2.709	.053*
	EV.2 ^a (Affinity)	8.814	1	8.814	5.850	.019**
	Error	88.891	59	1.507		
	Total	697.000	65			
	Corrected Total	135.754	64			
High EM	Corrected Model	14.427 ^b	5	2.885	1.575	.186
	Intercept	78.615	1	78.615	42.925	.000
	Financial information	11.723	1	11.723	6.401	.015**
	Affinity	2.412	3	.804	.439	.726
	EV.2 ^a (Affinity)	1.109	1	1.109	.606	.440
	Error	84.247	46	1.831		
	Total	481.000	52			
	Corrected Total	98.673	51			

***p < .01. **p < .05. *p < .1.

6.3.2. Posthoc analysis - Individual donation

A repeated measures general linear model was used in the posthoc analysis for the individual donation decision. Amount donated was used as the dependent variable. The independent variables included the financial information

of charities presented, participant's affinity for the charities, and the experimental variation for affinity as the independent variables. Results show that there was no clear decision pattern for participants who scored above the median EM score (see table 9). Similar to the posthoc results for the corporate donation decision, table 9 suggests that participants who scored below the median EM score did not make a focused selection and did not identify an overwhelming factor that was relevant to the individual donation decision. In addition, it is likely that their decisions were swayed by having been asked about their affinity for the charities before making the donation choice.

Table 9- GLM Analysis-Individual Donation (High and Low EM)

Dependent variable: Amount donated

	Parameter	B	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
				Lower	Upper	Wald Chi-Square	df	Sig.
Low EI	Intercept	-53.259 ^a					1	.000***
	FI	8.094	4.2410	-.219	16.406	3.642	1	.056**
	Gender	.856	.0000	.856	.856		1	.000***
	EM	.390	.0000	.390	.390		1	.000***
	AffinityScale1	40.184 ^a					1	.000
	AffinityScale2	53.053	48697964.2272	-95446202.953	95446309.059	.000	1	1.000
	AffinityScale3	51.767 ^a					1	.000***
	AffinityScale4	44.026	15475701.5948	-30331773.735	30331861.787	.000	1	1.000
	EM * FI	-.098	.0000	-.098	-.098		1	.000***
	EM*AffinityScale1	-.246	.0000	-.246	-.246		1	.000***
	EM* AffinityScale2	-.408	.0873	-.579	-.236	21.796	1	.000***
	EM* AffinityScale3	-.394	.1064	-.602	-.185	13.671	1	.000***
EM* AffinityScale4	-.294 ^a							
High EI	Intercept	-15.298	13.9543	-42.648	12.052	1.202	1	.273
	Gender	.307	.4571	-.589	1.203	.451	1	.502
	FI	-.557	6.5344	-13.365	12.250	.007	1	.932
	EM	.144	.1447	-.140	.427	.988	1	.320
	AffinityScale1	15.971	12.4335	-8.399	40.340	1.650	1	.199
	AffinityScale2	18.570	13.4187	-7.730	44.870	1.915	1	.166
	AffinityScale3	20.532	14.4977	-7.883	48.947	2.006	1	.157
	AffinityScale4	14.331	16.8735	-18.740	47.403	.721	1	.396
	EM * FI	.010	.0705	-.128	.149	.022	1	.882
	EM*AffinityScale1	-.155	.1261	-.402	.092	1.511	1	.219
	EM* AffinityScale2	-.186	.1378	-.456	.084	1.817	1	.178
	EM* AffinityScale3	-.209	.1493	-.502	.084	1.960	1	.162
EM* AffinityScale4	-.138	.1712	-.474	.197	.652	1	.419	

7. DISCUSSION

The results speak to the strength of the group/corporate condition that was created in the experiment, evidence of which is provided in the post experimental results, as well as in the difference in the statistical results for individual versus corporate decision. Participants identified themselves as members of a team and therefore made corporate donation decisions in line with the ethos of the team. In making the donation, they took the team's expectation into consideration and regarded personal preferences (affinity for the charity) as secondary to other sources of information such as the corporate donation culture and financial information on the charities. This result provides strong evidence that individual donation decisions are not made in the same manner as corporate donation decisions.

The result suggests that as long as there exists some form of guidelines on the corporation's donation culture, mandated personnel are likely to make corporate philanthropic decisions that align best with the group's stipulations. Such guidelines also encourage managers to conduct a much more extensive analysis of recipient organizations with respect to the corporate philanthropic gesture. In the absence of clear cut policy guidelines and rules on corporate philanthropy, a corporate entity therefore stands to benefit from issuing some form of general non-binding guidelines to personnel mandated to carry out corporate philanthropic duties on its behalf.

EI was important to both decision environments, although in different ways. The theory of EI suggests the use of a range of useful information in

making decisions—in this case, both emotional and financial considerations. Despite the effect of affinity, EI plays an intermediary role by highlighting the value of other sources of information. A team member with a high EI would not place exclusive emphasis on either the financial information of charities or his or her affinity towards a particular charity but would examine both sources of information within the constraints of the corporate donation environment before making the corporate donation decision.

My results show that financial and threshold information of charities make a positive impact on whether a corporate decision maker donates, but are not so important for the individual donation decision. This suggests that the fundraising efforts of charities may be better served when they provide background information on the operational effectiveness of their organizations to potential corporate donors before pitching their donation appeals. The importance of the financial management reports in the fundraising approach of charities highlights the role of accountants working for non-profits in terms of the nature, depth and format of reports. Reports can be enriched by the inclusion of information such as service efforts and accomplishments reports and independent analysis of rating agencies.

For potential individual donors, it is important to evoke the affective response of the potential donor and provide other information before making the actual request for a donation. In addition, charities are more likely to succeed when the appeal is made to fewer individuals at a time. It enhances the engagement of the audience and allows the charitable organization to highlight

and explain the operational effectiveness and social impact of their organizations to the potential donors. Seeing other people donate also improves the likelihood that individuals would donate. When an individual does decide to donate, the affinity towards the charity plays a significant role in determining how the donor allocates funds to the charity. In making such allocations, EI impacts this allocation decision in terms of placing the affinity towards the charity in perspective. EI helps manage the affinity towards the charity with respect to the regulation of the allocation of funds.

Based on the statistical tests, it can be inferred that disclosures by non-profit organizations are value relevant particularly to corporate donors. Affinity for charities alone may not be a sufficient consideration for an individual or a manager to donate to a charity due in part to the relevance of emotional intelligence. The study provides useful insights on how the operations of charities may be impacted positively when managers of charities go beyond traditional financial management reporting and fundraising strategies.

8. LIMITATIONS AND FUTURE RESEARCH

My research provides a unique perspective on donations for managers, donors and standard setters. However, my results and conclusions are not without limitations. I used student-subjects for the experiment rather than experienced managers. Students may not respond as managers would with respect to business decision making. Despite this limitation, other studies such as Buchheit & Parsons (2006) used student-subjects in their study of the effect of accounting information on donation decisions.

Some scholars have raised concerns about the definition, measurement and validity of the notion of EI (Bay & McKeage, 2006). Despite these concerns, employers regard EI as an important personality attribute. With respect to the nature and focus of my study, EI is therefore the best measure for now.

Future research can investigate the impact of EI on donation decisions using other conceptualizations of EI. Lastly, further studies can investigate the relationship between EI and the format of financial statements of non-profits to determine how formats and the depth of financial information of non-profits affect donation decisions.

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10. APPENDIX³

Demographics Questionnaire

1. What is your standing in the university? (Please check one)

Undergraduate student

Graduate student

2. If you already have an undergraduate degree, which degree do you hold?

Degree in business/accounting

Other (please specify) _____

3. Based on your current standing (i.e. undergraduate, masters), what is your year of study

1st year

2nd year

3rd year

4th year

4. Are you an international student?

Yes

No

³ All experimental instruments were functionally the same for all the 3 role played positions (Executive director, VP-Ontario and Regional director). The experimental instruments included in the appendix of this paper were presented to participants who role played the executive director position.

5. How many years of work experience do you have?

- None
- 1-3 years
- 3-5 years
- More than 5 years.

6. What is your gender?

- Male
- Female

7. What is your age?

- 18 to 24 years
- 25 to 34 years
- 35 to 44 years
- 45 to 54 years
- Above 55 years.

Appendix sheet -Executive Director

Section 1

Barnley's Basics

Health foods

The health food unit specializes in innovative, hard-to-find, great-tasting natural health and organic products. These include foods, vitamin and mineral supplements, herbal products, homeopathics and nutrition products. The unit is dedicated to fostering health and wellness at both the individual and the community level by providing quality products and services. The growth of the unit is attributed to both marketing savvy and the quality and consistency of its science-based products. The health products of the unit are among the best in the world and Barnley's Basics has been at the forefront of developing world class standardization within the health foods industry. Distribution is done through more than 1,000 stores directly managed by Barnley's Basics

Business Segment Financial Statements (in thousands)

Health foods

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Merchandise sales	\$13,194	\$14,567	\$15,285
Cost of sales	<u>10,329</u>	<u>11,158</u>	<u>11,818</u>
Gross margin dollars	2,865	3,409	3,467
Selling and administrative	<u>2,856</u>	<u>3,404</u>	<u>3,365</u>
Operating income (loss)	\$9	\$5	\$2
Total number of stores	1,152	1,221	1,305

<i>Gross margin rate</i>	21.7 %	23.4 %	22.7
%			

Beauty Products Franchise

The beauty products unit is an international specialty retailer and distributor of professional beauty supplies. The unit sells and distributes products through more than 800 franchisees throughout the United States and Canada. The unit offers more than 6,000 products for hair, skin, and nails through professional lines such as Clairol, L'Oreal, and Conair, as well as an extensive selection of proprietary merchandise.

Business Segment Financial Statements (in thousands)

Beauty products

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Franchise and license fees	\$19,198	\$20,977	\$21,649
Franchise and license expenses	<u>14,324</u>	<u>15,107</u>	<u>15,849</u>
Gross margin	4,874	5,870	5,800
Selling and administrative	<u>4,867</u>	<u>5,866</u>	<u>5,798</u>
Operating income (loss)	\$7	\$4	\$2
Number of franchisees	867	798	778
<i>Gross margin rate</i>	25.4 %	28.0 %	
26.8 %			

Section 2

The Better Business Bureau (BBB) assesses the operational efficiency of charities using quantitative and qualitative analysis to pass or fail charities

1. CHILDREN'S WISH FOUNDATION OF CANADA

The Children's Wish Foundation is a charity that helps Canadian children, families and communities by granting the favourite wish of a child diagnosed with a life-threatening illness. With every wish that the foundation grants, a moment of joy is created that eases the pain of a child, give respite to the child's family, and connect healthcare professionals and communities in that burning wish of hope.

<u>Expenses</u>	<u>Amount</u>	<u>% of Total Expenses</u>
Programs	\$12,677,946	55.45%
Fund Raising:	\$7,316,445	32.00%
Administrative:	\$2,870,048	12.55%
Other:	\$0	0.00%
Total expenses:	\$22,864,439	

Website: www.childrenswish.ca

BBB BENCHMARK ANALYSIS

The Children's Wish Foundation spends less than 65% of its total expenses on its program activities. Children's Wish Foundation of Canada does not meet the standard which requires spending at least 65% of total expenses on program activities. According to its financial statements for the fiscal year ended March 31, 2012, the organization spent \$12,677,946 or 61% of its total expenses (\$22,864,439) on program service activities.

<http://www.bbb.org/western-ontario/business-reviews/charity-national/childrens-wish-foundation-of-canada-in-pickering-on-1656#sthash.fepaECjN.dpuf>

2. CANADIAN MENTAL HEALTH ASSOCIATION

Canadian mental health association's mission is to advocate with and provide programs and services for people with mental disorders, and to enhance, maintain and promote the mental health of individuals and communities.

<u>Expenses</u>	<u>Amount</u>	<u>% of Total Expenses</u>
Programs	\$3,181,513	86.04%
Fund Raising:	\$4,743	0.13%
Administrative:	\$511,551	3.83%
Other:	\$0	0.00%
Total expenses:	\$3,697,807	

www.london.cmha.ca

BBB Benchmark Analysis

Canadian mental health association meets all standards of the Better Business Bureau (BBB). The charity spends more than 65% of its total expenses on program activities and spends less than 35% of related contributions on fundraising.

<http://www.bbb.org/western-ontario/business-reviews/charity-local/canadian-mental-health-association-london-middlesex-in-london-on-1552#sthash.uoxu24IH.dpuf>

3. CANADIAN CANCER SOCIETY

The Canadian Cancer Society is a national, community-based organization of volunteers whose mission is the eradication of cancer and the enhancement of the quality of life of people living with cancer. The Society leads the fight against

cancer by: investing in cancer research, advocating for public health policies, providing information and support, and helping prevent cancer.

<u>Expenses</u>	<u>Amount</u>	<u>% of Total Expenses</u>
Programs:	\$52,466,000	51.54%
Fund Raising:	\$46,244,000	45.43%
Administrative:	\$3,077,000	3.02%
Other:	\$0	0.00%

<http://www.cancer.ca>

BBB Benchmark Analysis

The Canadian Cancer Society spends less than 65% of its total expenses on program activities. Canadian Cancer Society does not meet the standard which requires spending at least 65% of total expenses on program activities. According to its financial statements for the fiscal year ended January 31, 2011, the organization spent \$52,466,000 or 52% of its total expenses (\$101,787,000) on program service activities.

The Canadian Cancer Society spends more than 35% of related contributions on fundraising. Canadian Cancer Society does not meet the standard which requires spending less than 35% of related contributions on fundraising. According to its financial statements for the fiscal year ended January 31, 2011, the organization spent \$46,244,000 or 45% of its total expenses (\$101,787,000) on fundraising.

<http://www.bbb.org/western-ontario/business-reviews/charity-local/canadian-cancer-society-ontario-division-in-toronto-on-1522#sthash.v7juo3Ua.dpuf>

4. SPINAL CORD INJURY ONTARIO

Spinal Cord Injury Ontario assists persons with spinal cord injuries and other physical disabilities to achieve independence, self-reliance and full community

participation. The association champions excellence in service, advocacy and quality of life for people with spinal cord injuries.

<u>Expenses</u>	<u>Amount</u>	<u>% of Total Expenses</u>
Programs:	\$8,143,334	80.00%
Fund Raising:	\$1,119,708	11.00%
Administrative:	\$916,125	9.00%
Other:	\$0	0.00%

<http://www.sciontario.org/>

BBB Benchmark Analysis

Spinal Cord Injury meets all standards of the Better Business Bureau (BBB). The charity spends more than 65% of its total expenses on program activities and spends less than 35% of related contributions on fundraising.

<http://www.bbb.org/western-ontario/business-reviews/charity-local/spinal-cord-injury-ontario-in-toronto-on-1556#sthash.dTSMnmaE.dpuf>

5. NATURE CONSERVANCY OF CANADA

The Nature Conservancy of Canada leads, innovates, and uses creativity in the conservation of Canada's natural heritage by securing ecologically significant natural areas through purchases, donations, conservation agreements or other mechanisms, and by achieving long-term stewardship through management plans and monitoring arrangements.

<u>Expenses</u>	<u>Amount</u>	<u>% of Total</u>
<u>Expenses</u>		
Programs:	\$66,316,991	87.93%
Fund Raising:	\$3,034,698	4.02%
Administrative:	\$6,069,395	8.05%
Other:	\$0	0.00%

<http://www.natureconservancy.ca/en/>

BBB Benchmark Analysis

Nature Conservancy of Canada meets all the standards of the Better Business Bureau (BBB). The charity spends more than 65% of its total expenses on program activities and spends less than 35% of related contributions on fundraising.

<http://www.bbb.org/western-ontario/business-reviews/charity-national/nature-conservancy-of-canada-in-toronto-on-11778#sthash.YzFcYQts.dpuf> –

6. ADULT LEARNING FOUNDATION-ONTARIO

The Adult Learning Foundation offers free, community based adult upgrading classes and family and seniors' literacy programs. The charity exists to respond to the learning needs of adults so they may participate more fully at home and in the workplace, thus supporting healthy, sustainable communities. The Association has been making adult learning possible within Ontario since 1989.

<u>Expenses</u>	<u>Amount</u>	<u>% of Total Expenses</u>
Programs:	\$7,109,159	73.20%
Fund Raising:	\$1,408,654	14.50%
Administrative:	\$1,194,785	12.30%
Other:	\$0	0.00%

<http://www.adultlearningontario.ca>

BBB BENCHMARK ANALYSIS

The Adult Learning Association of Ontario exists meets all the standards of the Better Business Bureau (BBB). The charity spends more than 65% of its total expenses on program activities and spends less than 35% of related contributions on fundraising.

www.bbb.org/western-ontario/business-reviews/charity-national/adult-learning-association-on-1046553#sthash.Gsytz90x.dpuf

Section 3

Nominations will be forwarded to you from the other two members of your team. You will receive one nomination from each team member, accompanied by the employee profile and financial results. For each nomination, decide whether or not to grant a promotion.

Explanation sheet-Guidelines based variant

Description of Corporation

Barnley's Basics is a multinational retail corporation that runs a chain of retail outlets across North America. It is the second largest of its kind in North America based on total assets. The corporation has two major business lines; a health foods unit and a beauty products franchising unit. The health foods unit is owned and managed by Barnley's Basics and does not sell any of the beauty products. The beauty products outlets are all franchise operations. Barnley's Basics continues to grow and plans to expand its operations, particularly in Canada, by capitalizing on its exclusive brands and reputation for unmatched quality and customer service.

Corporate Strategy for Current Year (Extract)

Below is an extract of broad areas to which the Board of Directors has resolved to make significant improvements during the current year. As the Executive Director of Strategy for Canada, your duty is to make decisions based on the corporation's overall vision and specific goals for the year.

1. Corporate expansion

The Board seeks to expand the firm's business by setting up new outlets or seeking new franchising opportunities. Due to cash flow and personnel constraints, only one of the business lines (health foods or beauty product franchising) can be expanded. The first decision you must make is to select the

business line that should be expanded. In addition, you must decide how many units to open in Ontario. You may open as few as three and as many as 10. The other members of your group will be in charge of implementation of these decisions at the provincial and regional levels. The Vice President in charge of Ontario will determine the number of outlets to be opened in each region. The regional directors will determine the specific cities in which to open the new outlets.

In Appendix 1, you will find information intended to help you make this decision.

2. Community involvement (CSR)

The Board seeks to improve its corporate image and strengthen stakeholder relationships by donating to appropriate charities. Barnley's Basics aims at supporting the wider community, and creating a better quality of life for everyone. Though there is no set criteria for choosing a charity, managers are encouraged to make corporate donations to charities with core activities that are related to Barnley's Basics corporate mission. Managers are also encouraged to donate to charities that are well run.

The second decision you must make is to determine which of the charities will receive the \$10,000 corporate donation that you have been authorized to make.

In Appendix 2, information intended to help you make this decision is provided.

3. Employee promotions

Due to high employee turnover, the Board has resolved to promote a significant number of employees this year in an effort to boost employee morale. The Vice President in charge of Ontario will nominate an employee for promotion at the provincial level. Each Regional Director will also nominate an employee for promotion at the regional level. As the Executive Director of Strategy your task is to make a final decision on which, if any, of these employees to promote.

Therefore, third decision you must make is to decide whether to promote the two employees for which you will receive nominations.

Profiles and other information about these candidates for promotion will be provided to you by your teammates who make the nominations.

Questionnaire

As Executive Director of Strategy, you were tasked with overseeing the planning and execution of the overall corporate strategy for the year as agreed upon by the Board of Directors and CEO and set out in the firm's vision statement. Your duty is to breakdown the corporate strategy into concrete deliverables for implementation at the provincial and regional level.

Task 1**Corporate expansion**

Based on the information provided (Appendix 1), which business line would you want to select for expansion? Please select only one letter.

1. (A) Health foods (B) Beauty products franchising

2. How many outlets will be opened in Ontario (between 3 and 10)

Please write your selected answers on this form and on the communication form provided and give the communication form to the Vice President for Ontario.

Task 2**Community involvement (CSR)**

Based on the information provided (Appendix 2), to which of the charity organizations would you like to allocate funding for the current year? Please select one of the charities from Appendix 2 and write the name of the organization that you have chosen.

Task 3**Employee promotions**

Please write the name of the employee nominated for promotion by the Vice President for Ontario.

Based on the information provided from your teammate, would you approve promotion of this employee? Please circle your answer.

(A) Yes (B) No

Please write the name of the employee nominated by of the Regional Director of Waterloo.

Based on the information provided from your teammate, would you approve promotion of this employee? Please circle your answer.

(A) Yes (B) No

Communication Form

I have selected the following business line for expansion. Please make your decision in accordance with this selection.

(A) Health foods (B) Beauty products franchising

I am authorizing you to open _____ outlets in Ontario.

Explanation sheet-Rules based variant

Description of Corporation

Barnley's Basics is a multinational retail corporation that runs a chain of retail outlets across North America. It is the second largest of its kind in North America based on total assets. The corporation has two major business lines; a health foods unit and a beauty products franchising unit. The health foods unit is owned and managed by Barnley's Basics and does not sell any of the beauty products. The beauty products outlets are all franchise operations. Barnley's Basics continues to grow and plans to expand its operations, particularly in Canada, by capitalizing on its exclusive brands and reputation for unmatched quality and customer service.

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2. Community involvement (CSR)

The Board seeks to improve its corporate image and strengthen stakeholder relationships by donating to appropriate charities. Barnley's Basics has a corporate donation policy that guides all corporate donations. Per the policy, all donations must be aimed at creating a better quality of life for the beneficiaries. Below are the criteria that need to be met by charities in order to be considered to receive funding.

A charity requesting assistance must:

- have a mission directly related to our line of business – health and beauty care;
- demonstrate sound management and reasonable administrative expenses that suggest maximum impact on beneficiaries;

- conduct activities that directly and clearly improve the health of the recipients;
- represent a group (donations or sponsorships are not provided to individuals);
- have no direct or indirect connection to a cause that is religious or political.

The second decision you must make is to determine which of the charities will receive the \$10,000 corporate donation that you have been authorized to make.

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Task 1

Corporate expansion

Based on the information provided (Appendix 1), which business line would you want to select for expansion? Please select only one letter.

3. (A) Health foods (B) Beauty products franchising

4. How many outlets will be opened in Ontario (between 3 and 10)

Please write your selected answers on this form and on the communication form provided and give the communication form to the Vice President for Ontario.

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(A) Yes (B) No

Communication Form

I have selected the following business line for expansion. Please make your decision in accordance with this selection.

(A) Health foods (B) Beauty products franchising

I am authorizing you to open _____ outlets in Ontario.

Task information response instrument

		Strongly Positive	Positive	Neutral	Negative	Strongly Negative
	How do you feel about :					
1	Denying promotion to a nominated employee you do not directly supervise?	1	2	3	4	5
2	Making business expansion decisions solely based on the performance of the individual business segments?	1	2	3	4	5
3	The Children's Wish Foundation?	1	2	3	4	5
4	Beauty product stores?	1	2	3	4	5
5	Adult Learning Foundation?	1	2	3	4	5
6	Being able to give someone a promotion?	1	2	3	4	5
7	Promoting a manager whose unit performs poorly in sales but has a very friendly and cordial working relationship with his/her subordinates?	1	2	3	4	5
8	Spinal Cord Injury Ontario?	1	2	3	4	5
9	Health food stores?	1	2	3	4	5
10	Canadian Cancer Society?	1	2	3	4	5
11	Nature Conservancy of Canada?	1	2	3	4	5
12	Promoting a manager whose unit meets all sales targets but shows disrespect towards his/her subordinates?	1	2	3	4	5
13	Promoting a manager with an autocratic management style?	1	2	3	4	5
14	Canadian Mental Health Association?	1	2	3	4	5

Post Experimental Questionnaire

Please circle that number that most closely corresponds to your response to the statements below.

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	My decisions depended on decisions made by others in my group.	1	2	3	4	5
2	We all understood what would be required in order to achieve the three targets set by the Board of Directors.	1	2	3	4	5
3	I thought of the funds that I choose to donate in my position of Executive Director for Strategy as mine.	1	2	3	4	5
4	I used the financial information in making my decision about who to promote.	1	2	3	4	5
5	I used the descriptions of the product lines in making my decision about expanding one of the lines of business.	1	2	3	4	5
6	The people in my group all were working to achieve the same thing.	1	2	3	4	5
7	I used information about the missions of the organizations in making my decision about the charitable donation.	1	2	3	4	5
8	I used the financial information in making my decision about which charity to choose.	1	2	3	4	5
9	I found the financial information difficult to understand.	1	2	3	4	5
10	The decisions I made were part of my responsibility in working to achieve our firm's goals.	1	2	3	4	5
11	I did not have enough financial information to make the decision about the promotions.	1	2	3	4	5
12	The guidelines given to me about which charity to choose were very explicit and specific.	1	2	3	4	5
13	We all understood what would be necessary to satisfy the terms of the experiment.	1	2	3	4	5
14	I did not have enough financial information to make the decision about expansion.	1	2	3	4	5
15	I used the employee profiles to make the decision about promotion.	1	2	3	4	5
16	We all had the same goal in completing this	1	2	3	4	5

	exercise.					
17	I did not have enough financial information to make the decision about donating.	1	2	3	4	5
18	I used the financial information in making my decision about which line of business to expand.	1	2	3	4	5
19	The guidelines given to me about the charities were very general and left much of the decision to me.	1	2	3	4	5

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	At the end of the experiment, some people were awarded \$20 to be either donated to a charity or kept for personal use. Please answer the following questions with respect to your decision about that money.					
1	My decision depended on others in my group.	1	2	3	4	5
2	I felt that the money I was being asked to make a decision about was mine.	1	2	3	4	5
3	My decision did not contribute to the common goal of those in my group.	1	2	3	4	5
4	I felt that this decision was part of my duty assigned by an organization or group.	1	2	3	4	5
5	I believe that everyone in my group reached a common understanding of this decision.	1	2	3	4	5

Open-ended Questions

If you chose to donate your personal earnings, please tell us why.

If you chose to donate, please tell us why you donated to the specific charity you selected.

If you chose not to donate, please tell us why.