

Restoring or Improving? Donation Mission in Corporate Philanthropy, Stakeholder Perceptions, and Firm Profitability

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ABSTRACT

We examine whether the welfare trajectory embedded in corporate philanthropy shapes stakeholder perceptions and is differentially associated with firm profitability. Building on prospect theory's gain-loss logic, we distinguish restorative donations, whose mission is to repair discrete welfare losses, from developmental donations, whose mission is to improve chronically constrained welfare. Using a 20-year panel of large U.S. firms, we show that restorative-dominant philanthropic profiles are associated with higher subsequent profitability than developmental-dominant profiles and non-donor years across four complementary performance measures. We then test whether these donation missions systematically shape employee perceptions as one consequential stakeholder response. Across two preregistered experiments, restorative missions consistently increase perceived donation effectiveness and perceived self-oriented risk, whereas perceived beneficiary deservingness does not reliably differentiate across conditions. These perceptual shifts map onto modest positive indirect paths to employer attractiveness, primarily through perceived effectiveness. By contrast, we find no robust evidence that restorative missions increase short-run task effort. Together, the findings identify beneficiaries' welfare trajectory as a theoretically grounded dimension of philanthropic heterogeneity that is associated with firm profitability and systematically shapes how stakeholders interpret firms' philanthropic actions.

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1 INTRODUCTION

Companies invest tens of billions of dollars annually in corporate philanthropy, often with the expectation that visible prosocial engagement will ultimately bolster the bottom line (Awaysheh *et al.*, 2020; Indiana University Lilly Family School of Philanthropy, 2024). Yet evidence on whether such giving improves firm performance remains mixed, with prior studies documenting positive, curvilinear, and strongly contingent relationships (Lee, 2020; Lev, Petrovits, and Radhakrishnan, 2010; Muller and Kräussl, 2011; Wang, Choi, and Li, 2008). A stream of research suggests that the strategic implications of philanthropy depend on how giving is configured and how stakeholders interpret the social causes that companies support (Cuypers, Koh, and Wang, 2015; Madsen and Rodgers, 2015). This work illuminates paths to reconcile past inconsistent findings by indicating that stakeholders “care more about whether a firm gives to a cause than how much it gives” (Seo, Luo, and Kaul, 2021: 2). However, we still know little about which donations are perceived more favorably than others, and why, in ways that can help explain heterogeneity in the performance impacts of philanthropy.

We address this gap by examining whether the welfare trajectory embedded in donations shapes stakeholder perceptions and whether variation in firms’ philanthropic profiles along that dimension is associated with differences in profitability. Drawing on prospect theory’s gain-loss logic, we argue that stakeholders interpret the welfare objective the donation serves, which we term donation mission, in reference-dependent ways. Due to the general tendency to be averse to losses, stakeholders are prone to place greater psychological weight on donations whose mission is to prevent or alleviate losses than on otherwise comparable donations whose mission is to

generate gains over a stable status quo (Kahneman and Tversky, 1979). Although stakeholders¹ may not directly experience the focal social problem, research suggests that people often extend reference-dependent evaluations to vicarious situations and respond especially strongly to others' losses (Baumeister, Bratslavsky, Finkenauer, and Vohs, 2001; Loewenstein and Small, 2007; Small, 2010; Erlandsson, Nilsson, and Västfjäll, 2018; Västfjäll and Slovic, 2020).

Applying this logic to corporate philanthropy, we distinguish between *restorative donations*, whose mission is to restore welfare after a discrete setback (e.g., relief after accidents), and *developmental donations*, whose mission is to improve welfare from a stable but chronically constrained baseline (e.g., alleviating chronic poverty). Because stakeholders place greater weight on loss repair than on otherwise comparable gains, restorative donation missions should, on average, elicit more favorable stakeholder evaluations than developmental donation missions (Barberis, 2013; Chou and Murnighan, 2013; Small, 2010). To the extent that these evaluations translate into stakeholder responses, we expect that firms whose philanthropic profiles are dominated by restorative missions will be associated with higher subsequent profitability than firms whose profiles are dominated by developmental missions.

We test this hypothesis using a 20-year panel of 500 publicly traded U.S. firms. We classify each firm-year as restorative-dominant, developmental-dominant, or mixed-profile based on the share of philanthropic dollars allocated annually to each mission type. Using entropy-balanced regressions with a set of controls and fixed effects, we estimate how each firm's dominant philanthropic profile in a given year is associated with subsequent profitability. We focus on four complementary measures that foreground distinct dimensions of performance: log profit per employee, ROA, operating margin, and gross margin. Across these metrics, restorative-dominant

¹ We use the term "stakeholders" to refer to all observers of philanthropy who are not direct beneficiaries of the donation and whose perceptions and responses may underlie its financial implications.

philanthropic profiles are associated with higher subsequent profitability than developmental-dominant profiles or non-donor years, with mixed profiles typically falling between them. Supplementary analyses addressing potential concerns about selection, reverse causality, donation visibility, stakeholder orientation, beneficiary novelty, donation frequency, and reputational repair are consistent with the baseline patterns.

We then examine whether restorative and developmental donation missions differentially shape three stakeholder perceptions implied by prospect theory's gain-loss logic and relevant to downstream stakeholder responses that affect profitability. First, because people psychologically overestimate the likelihood of unexpected shocks (Rottenstreich and Hsee, 2001; Tversky and Kahneman, 1992), restorative missions may heighten perceived self-oriented risk, making beneficiaries' circumstances feel more personally imaginable. Second, because prospect theory's value function is steeper in the loss domain and exhibits diminishing sensitivity away from a reference point (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992), stakeholders should perceive a given donation as more effective when it restores beneficiaries toward an expected baseline than when it extends outcomes into the gain domain. Third, restorative missions may also strengthen perceived beneficiary deservingness insofar as recent welfare losses can make recipients' claim to assistance appear especially acute (Kahneman and Tversky, 1979; Small, 2010). These perceptions may operate in tandem or separately, but all imply that the gain-loss logic embedded in donation missions can systematically shape stakeholder evaluation and, in turn, help explain heterogeneity in the philanthropy-profitability relationship.

We test these interpretive implications through two preregistered experiments that focus on employees as one consequential stakeholder channel. This is a useful setting for our study because employee perceptions of firm philanthropy can shape attraction, retention, and advocacy on the

firm's behalf, making them plausibly relevant to firm profitability (Turban and Greening, 1997; Jones, Willness, and Madey, 2014; Flammer and Luo, 2017; Portocarrero and Burbano, 2024). In each experiment, participants evaluate a firm's philanthropic message describing a donation whose mission is either restorative or developmental. Across studies, restorative missions consistently increase perceived donation effectiveness and perceived self-oriented risk, whereas perceived beneficiary deservingness shows no consistent differentiation across experimental conditions.

The experiments also explore two downstream outcomes that provide suggestive evidence on how stakeholder perceptions of donation missions may translate into responses relevant to firm profitability. We focus on employer attractiveness (Jones et al., 2014) and short-run task effort (Tonin & Vlassopoulos, 2015) because they capture two distinct classes of response that matter on different time horizons. The results suggest that perceived donation effectiveness and, to a lesser extent, self-oriented risk form positive indirect paths to employer attractiveness. We do not find robust evidence that donation missions shift task effort. Our evidence is thus more consistent with restorative missions shaping employee evaluations of the firm than immediate performance.

Our study contributes to research on the performance implications of corporate philanthropy. We introduce the welfare trajectory embedded in a donation mission as a theoretically grounded dimension of philanthropic heterogeneity. Our results illustrate that the restorative or developmental focus of a firm's philanthropic profile can be a tractable and consequential attribute of corporate giving that helps organize heterogeneity in the philanthropy-performance association.

Our findings also speak to research on organizational missions and mission matching. An active debate in this literature concerns whether missions matter because they differentiate the prosociality of firms or because they align with individual stakeholder preferences, specifically those of employees (Besley and Ghatak, 2005; Carpenter and Gong, 2016; Cassar, 2019; Fehrler

and Kosfeld, 2014). Our framework offers a complementary perspective. Before idiosyncratic preference matching enters, prosocial missions can differ systematically in their average appeal due to vicarious gain-loss evaluation. Our findings suggest restorative missions resonate more broadly because stakeholders perceive them as comparatively effective and personally salient.

For managers, the central implication is not that restorative donation missions are socially or morally superior to developmental missions, but that they generate systematically different stakeholder responses that matter for firm performance. When the goal is to build stakeholder resonance, restorative missions are more likely to be interpreted as consequential and personally relevant. For firms pursuing developmental missions, the implication is not to abandon them, but to make their longer-horizon value more visible through clearer milestones, more tangible communication of impact, and sustained opportunities for stakeholder involvement. More broadly, firms should not treat corporate philanthropy as a homogeneous category (Seo, Luo, and Kaul, 2021). Attention to the welfare trajectory embedded in a donation mission may help managers tailor their giving depending on the stakeholder outcomes they seek.

2 THEORETICAL FRAMEWORK

2.1 Corporate Philanthropy, Stakeholder Interpretations, and Firm Profitability

Corporate philanthropy can influence firm profitability because stakeholders treat giving as a meaningful organizational signal (Godfrey, Merrill, and Hansen, 2009; Lins, Servaes, and Tamayo, 2017). A donation signals which social problems the firm chooses to address, whose welfare it is willing to support, and what kind of organization it seeks to be. Once a philanthropic initiative is visible and credible enough to be taken seriously, stakeholders can update their judgments about the firm and respond in economically meaningful ways. The strategic value of philanthropy therefore depends not simply on whether a firm gives, but on how stakeholders

interpret what that giving means (Cuypers *et al.*, 2016; Godfrey, 2005; Waddock and Graves, 1997; Wang *et al.*, 2008).

Corporate donations should not be treated as homogeneous acts of “doing good.” Two firms may donate similar amounts and yet provoke different reactions because stakeholders evaluate not just the presence of prosocial action, but also the welfare objective the donation serves. We refer to that objective as the donation mission. Donation missions differ in the kind of welfare change they attempt to produce, and that difference gives stakeholders a basis for judging the firm’s priorities, values, and social impact.

It is thus possible that some donation missions may be more compelling on average because they evoke systematically different stakeholder interpretations. Our argument builds on this possibility. Rather than examining whether stakeholders identify with specific causes (Fehrler & Kosfeld, 2014; Cassar, 2019) or how firms spread giving across issues (Seo *et al.*, 2021), we ask whether the targeted type of welfare change, restoration versus development, systematically shapes stakeholder perceptions. This distinction cuts across cause domains and may help explain why some philanthropic profiles are more strongly associated with profitability than others.

2.2 Gain-Loss Logic, Welfare Trajectories, and Donation Missions

Our central argument is that stakeholders are sensitive to the welfare trajectory implied by a donation mission. When a firm’s giving helps beneficiaries recover from a setback, stakeholders are likely to interpret that giving differently than when it helps beneficiaries improve conditions from a persistently constrained baseline. This distinction follows from prospect theory. Because evaluations are reference-dependent, recovering welfare that has dropped below an implied baseline tends to carry greater psychological weight than comparable gains above it (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992). This idea is consistent with research on charity

showing that willingness to donate depends on reference states rather than absolute outcomes and that support is greater when aid targets loss victims than victims of chronic needs (Lankoski, Smith, and Van Wassenhove, 2016; Small, 2010; Chou and Murnighan, 2013).

Applied to stakeholder responses to corporate philanthropy, this gain-loss logic suggests that stakeholders do not evaluate all social missions in the same way. Even though stakeholders evaluating philanthropy do not experience misfortune directly, they engage in vicarious reference-dependent evaluation and experience emotional responses to deviations in societal welfare (Baumeister *et al.*, 2001; Erlandsson, Nilsson, and Västfjäll, 2018; Loewenstein and Small, 2007; Small, 2010; Västfjäll and Slovic, 2020). That is, although stakeholders are not the direct beneficiaries of corporate donations, they can still evaluate the value created for others by adopting beneficiaries' implied reference point. In doing so, they assess whether a firm's donation mission helps beneficiaries recover from a welfare decline or improve conditions that remain chronically constrained. The theoretical lever is therefore the welfare objective embedded in the donation mission. Stakeholders may perceive restorative donations as directly closing a negative gap when a shock plunges beneficiaries below a welfare baseline. By contrast, stakeholders perceive issues targeted by developmental interventions as chronically embedded in a status quo (Small, 2010).

Following this logic, we propose that firm donations can be classified into two broad missions. A restorative mission directs support toward bringing beneficiaries back toward a previously held or socially expected welfare level after a discrete setback. Examples include disaster relief after hurricanes, floods, earthquakes, or wildfires; emergency housing and basic-needs support for families displaced by conflict; or assistance for victims of accidents or sudden-onset disability.

A developmental mission, by contrast, directs support toward improving chronically constrained welfare. Examples include scholarships and education initiatives that build human

capital, workforce development programs that expand access to skilled employment, or long-horizon public health and access initiatives that address persistent gaps in services. Here, the welfare of beneficiaries has not recently fallen from a prior baseline. Instead, the cause emphasizes improvements above an enduring condition.

Of note, the analytical value of this distinction lies in its focus on welfare trajectory rather than on issue domain. The same broad domain (e.g., housing, health, education) can be associated with either type of mission depending on whether giving focuses on recovery from a sudden loss or progress against a persistent deficit. Consider two stylized examples. A scholarship program that replaces recently lost funding reflects a restorative donation mission. On the other hand, a scholarship program that expands access for students who have long faced financial barriers reflects a developmental donation mission. Likewise, a health initiative that helps community members restore access to medical services recently disrupted reflects a restorative donation mission, whereas a health initiative that expands medical services in historically underserved communities reflects a developmental mission. In both cases, the issue domain may be similar, but the implied reference point differs.

Importantly, our argument is not that restorative missions are socially superior to developmental missions. Rather, the idea is that these two missions are likely to evoke systematically different stakeholder interpretations.

2.3 Donation Missions, Stakeholder Evaluations, and Firm Profitability

Because restorative missions are more readily understood through a loss-repair lens, they should, on average, generate stronger positive stakeholder reactions than developmental missions. To the extent that stakeholder reactions shape the economic returns to corporate philanthropy, this welfare-trajectory difference should translate into heterogeneity in the profitability implications of

firm donations. This is because the returns to corporate philanthropy arise through stakeholder responses (Wang & Qian, 2011), rather than through giving per se.

More favorable evaluations of a firm's donation mission can matter for profitability through multiple stakeholder channels (Seo, Luo, and Kaul, 2021). Employees may view the firm as a more attractive employer, accept lower wages, and remain longer with the firm (Jones, Willness, & Madey, 2014; Burbano, 2016; Bode, Singh, & Rogan, 2015; Flammer & Luo, 2017). Customers may reward socially valued giving through greater willingness to pay and stronger revenue growth (Elfenbein & McManus, 2010; Lev, *et al.*, 2010; Buell & Kalkanci, 2021). Capital-market audiences may also respond more favorably, improving firms' access to finance and assessments of future performance (Cheng, Ioannou, & Serafeim, 2014; Ioannou & Serafeim, 2015). Public decision makers may grant firms greater goodwill, access to public contracts or policy arenas, and less institutional frictions (Bertrand, Bombardini, Fisman, and Trebbi, 2020; Werner, 2015; Flammer, 2018). Because restorative missions should, on average, generate more favorable evaluations across these stakeholder groups, we hypothesize:

Hypothesis 1 (H1). Firms whose philanthropic profiles are dominated by restorative missions will be associated with higher subsequent profitability than firms whose philanthropic profiles are dominated by developmental missions.

2.4. Stakeholder Perceptions that Differentiate Donation Missions

The heterogeneity in the association between corporate philanthropy and firm profitability in H1 presumes an interpretive link between the donation mission a firm supports and how stakeholders evaluate the firm. Donation missions can shape stakeholder reactions because they signal whether the firm directs resources toward repairing welfare losses or toward enhancing welfare from an ongoing baseline. Accordingly, stakeholder perceptions of a firm's donation mission may represent micro-level channels through which philanthropy type may shape stakeholder responses

that can, in turn, matter for firm profitability over time. In our argumentation, stakeholders are “meaning-makers” who interpret giving through personal relevance, perceived impact, and beneficiary deservingness.

Under gain-loss logic, stakeholders perceive beneficiaries’ implied reference point and evaluate the welfare change the donation mission targets (Small, 2010; Loewenstein & Small, 2007). This reference-dependent lens yields several distinct inferences that are rooted in prospect theory. It can shift how personally vulnerable stakeholders feel to similar welfare setbacks, how much welfare value they believe the donation creates for beneficiaries, and how strongly they judge beneficiaries’ claim to support. The following sections develop these three perceptions in parallel. Our goal is not to assert fully separable mechanisms, as they may co-correlate empirically, but to test whether the type of donation mission reliably shifts each dimension.

2.4.1. Perceived Self-oriented Risk. Perceived self-oriented risk captures stakeholders’ sense that a similar welfare setback could happen to them or their families. Prospect theory shows that people tend to overestimate small probabilities and respond strongly to the mere possibility of consequential losses, a pattern that helps explain willingness to pay to avoid infrequent, but high-impact shocks (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992). This bias is particularly pronounced when outcomes are affect-rich, which makes severe losses command attention even when their objective likelihood is low (Rottenstreich & Hsee, 2001).

A restorative donation mission highlights the firm’s contribution as helping beneficiaries recover from similar phenomena. Through vicarious gain-loss evaluation, such a mission makes the possibility of an analogous personal loss more psychologically salient and should therefore elevate perceived vulnerability. A developmental mission emphasizes an enduring constraint without a salient downward shift, which should evoke weaker perceived self-oriented risk

(Tversky & Kahneman, 1973; Rottenstreich & Hsee, 2001). Thus, chronic issues may feel less like acute, personally imaginable losses. We therefore expect:

Hypothesis 2a (H2a). Relative to developmental donation missions, restorative donation missions increase stakeholder perceived self-oriented risk of experiencing a similar problem.

2.4.2. Perceived Donation Effectiveness. Perceived donation effectiveness captures stakeholders' beliefs about how much welfare value the firm's contribution creates for beneficiaries. The subjective value of welfare change is not constant. It depends on where that change occurs relative to the reference point. The value function is steeper in the loss domain and exhibits diminishing sensitivity as outcomes move away from the reference point. This implies that a fixed resource input should be perceived as creating more welfare value when it moves beneficiaries closer to (or back toward) a reference point than when it extends outcomes further into the gain domain (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992).

In vicarious gain-loss evaluation, stakeholders assess a donation's impact by considering where beneficiaries stand. Restorative missions cue their impact as harm reduction, bringing welfare back toward an expected baseline. Developmental missions cue gain creation, improving welfare beyond a stable status quo. Because marginal improvements carry greater perceived value near the reference point, stakeholders should infer that a given donation accomplishes more when it targets restoration than when it targets development. This does not mean restorative donations are objectively more effective, but stakeholders are likely to perceive them as such.

This logic may help explain why predominantly restorative philanthropic profiles are associated with better stakeholder responses. Research on prosocial motivation shows that perceived effectiveness increases donation amounts (Metzger & Günther, 2019) and willingness to support (Cryder et al., 2013; Erlandsson et al., 2015). These findings suggest that this perception

can operate as a lever through which gain-loss construal shapes stakeholder support and, potentially, firm profitability. That is:

Hypothesis 2b (H2b). Relative to developmental donation missions, restorative donation missions increase stakeholder perceptions that the firm's donation is effective and makes a meaningful difference.

2.4.3. Perceived Beneficiary Deservingness. Perceived beneficiary deservingness refers to stakeholders' judgment that the recipients of the firm's giving merit support. Under vicarious gain-loss evaluation, beneficiaries who are seen as having fallen below an expected welfare level are likely to be perceived as having a more acute moral claim on help. This pattern reflects a bias whereby people affected by welfare deviations elicit greater sympathy than those affected by ongoing need (Small, 2010), which may be perceived as less attributable to external circumstances or more normalized over time (Kahneman and Tversky, 1979).

Accordingly, restorative missions activate a restoration logic in which a donation is seen as helping victims regain what should not have been lost, a cue that should amplify the moral urgency of assistance and make the recipients' claim on help feel especially legitimate (Small, 2010; Loewenstein & Small, 2007). A developmental mission can also involve profound hardship and evoke concern. Yet because it is oriented toward improving a stable baseline, the claim on assistance is less anchored in a violated reference point and should therefore be less uniformly compelling.

A similar pattern has been documented in studies on provision to public goods. For instance, Small (2010) finds greater willingness to donate to individuals who recently became blind or homeless due to shocks than to individuals who are blind from birth or chronically homeless. Similarly, at the international, individual donations overwhelmingly target crisis recovery over longstanding issues, such as chronic poverty (Andreoni, 2006). Our final hypothesis predicts:

Hypothesis 2c (H2c). Relative to developmental donation missions, restorative donation missions increase stakeholder perceptions that beneficiaries deserve the firm's help and support.

Figure 1 summarizes the causal logic underlying our hypotheses and maps each hypothesized relationship to the corresponding part of the empirical strategy, which we detail below.

Insert Figure 1 about here

3. EMPIRICAL ANALYSIS

To examine whether the social mission supported by corporate philanthropy is associated with firm profitability and employee perceptions, we follow a sequential empirical strategy integrating archival analysis with experiments. We evaluate H1 by assessing whether restorative, developmental, and mixed philanthropic portfolios are associated with subsequent profitability across four outcome measures in a panel of 20 years of corporate philanthropy. To test H2a-c, we conduct two experiments aimed at isolating how restorative versus developmental philanthropy shapes employee perceptions of the firm's giving. Additionally, we explore two downstream outcomes that can plausibly connect those perceptions to profitability. The Appendix contains detailed procedural information, full experimental materials, and supplementary analyses.²

3.1 Archival Analysis (H1): The Association between Philanthropic Profile and Firm Profitability

3.1.1 Data. We assembled a firm-year panel of the 500 largest U.S. publicly traded firms (ranked by 2019 revenue) over 2000-2019. Firm financial and employment data come from Orbis, and county-level controls come from the U.S. Census, the American Community Survey (ACS), and the Economic Research Service (ERS) at the U.S. Department of Agriculture. We constructed a

² Also available online on the Open Science Framework (OSF) page for this project (https://osf.io/an4m6/?view_only=a7ceacb0f3134ce091526db478d43496).

donation-level dataset by collecting reports of corporate donations for each focal firm, including parent firms, subsidiaries, and major brands, from multiple media and institutional sources. We extracted structured information from each donation report using a Named Entity Recognition (NER) model fine-tuned on Bidirectional Encoder Representations from Transformers (BERT). This extraction includes key attributes such as donor identity, donation amount and timing, type (cash or in-kind), social cause and trigger event (if any), and recipient.

This collection method offers distinct advantages for our research purposes over relying exclusively on existing philanthropy databases. Specifically, it allows us to classify donations based on textual analysis for temporal accuracy and granularity, capturing actual philanthropic actions rather than relying on aggregated measures. Moreover, it captures a broad scope of corporate philanthropy that traditional sources often omit due to their focus on disclosures from parent entities or foundation giving. Full retrieval and extraction details appear in Appendix A.

3.1.2 Classification of donation missions. To differentiate corporate donations, we use a machine learning approach that grounds classification in the actual language and context of each donation report. This method ensures that donations are categorized based on their targeted mission and stated purpose, rather than relying on general assumptions about the nature of the recipient or the donation context. It also mitigates the risk of double counting or misclassifying donations. For instance, a company providing post-hurricane aid may describe its donation as rebuilding housing. While such aid might be labeled as addressing chronic homelessness in structured taxonomies, our data account for the underlying trigger event to identify donation purpose, thereby enhancing construct validity. Third, it better aligns the theoretical foundation of our analysis with the behavioral nuance of the studied phenomenon. Specifically, it allows us to test the validity of the

gain-loss framework in classifying each donation, regardless of the diversity of causes to which firms donate.

Using a stratified 10% sample of donation reports (9,313 observations), two researchers manually labeled each case following the theoretical distinction in Section 2.2 ($\kappa = 0.96$). A subset of manually labeled reports (6.24%) reflects overlapping restorative and developmental language. For these edge cases, the model relies on the dominant semantic framing in the text. To assess robustness, we identified low-confidence classifications as those with predicted class probabilities between 0.45 and 0.55. Excluding 4.02% of reports from our analysis does not materially affect the results (Appendix A Table 3). We then fine-tune a BERT classifier on these labels and applied it to the full corpus. The model performs strongly in cross-validation and on a holdout set (precision and recall above 0.93; F1 above 0.94). Appendix A provides procedural details, coding examples, validation tests, and additional diagnostics.

3.1.3 Classification of donor firms. We operationalize a firm’s predominant mission profile using the share of its annual philanthropic portfolio allocated to restorative versus developmental missions. We classify each firm-year as *restorative-dominant* or *developmental-dominant* if at least 60% of the annual dollar philanthropic expenditure falls into either category, or *mixed-profile* if neither category exceeds 60%. Non-donors are companies for which no donation activity is reported.³ We conduct sensitivity tests using alternative thresholds (75% and 90%), reported in Appendix A Table 4. We use categorical indicators for the main analysis to reflect theoretically meaningful distinctions between firms whose philanthropy is predominantly restorative or

³ We opt into a 60% cutoff based on theoretical and empirical considerations. First, given the distribution of donation data, it ensures that firms exhibit a clear temporal philanthropic orientation. A lower threshold would introduce greater ambiguity, as firms with nearly balanced giving patterns would be assigned to a single category despite significant donations to the other type. Second, a more stringent threshold would significantly reduce the number of firms classified as dominant in either category, potentially limiting statistical power and our ability to account for unobserved heterogeneity.

developmental. This aligns with our central prediction, which compares the behavioral impact of cause types rather than marginal variations in giving composition. However, we acknowledge that hard thresholds may oversimplify firm behavior, so we also estimate models using the proportion of restorative giving as a continuous variable. These alternative specifications yield consistent results and are available in Appendix Table A.5.

3.1.4 Specification and dependent variables. Our archival analysis documents associations between a firm’s dominant type of donation missions in a given year and subsequent firm profitability. We follow different strategies to reduce the risk that differences merely reflect pre-existing firm heterogeneity and start by implementing multinomial entropy balancing (Hainmueller, 2012). This procedure generates observation-level weights that align firms across key covariates, reported in Appendix A, that may jointly shape both giving behavior and firm outcomes. We then incorporate these weights into panel regressions of the following form:

$$Y_{ij,s,t+1} = \beta_1 \text{Developmental}_{it} + \beta_2 \text{Restorative}_{it} + \beta_3 \text{Mixed}_{it} + \rho Y_{it} + \Gamma X_{ijt} + \delta_i + \lambda_j + \theta_{s \times t} + \varepsilon_{ijst+1} \quad (1)$$

Here, $Y_{ij,s,t+1}$ represents one of the four profitability outcomes measured in year $t + 1$. Developmental, Restorative, and Mixed are indicators for the firm’s dominant philanthropic profile in year t , and the omitted category is non-donor firm-years. X_{ijt} denotes a vector of time-varying controls at the firm, donation, and beneficiary-county levels, including firm fundamentals and prior giving, donation amount and visibility, and local socioeconomic conditions in recipient counties. We include the lagged dependent variable ($Y_{i,t}$), and firm (δ_i), beneficiary-county (λ_j), and industry-by-year ($\theta_{s \times t}$) fixed effects. Robust standard errors are clustered at the firm level. Section 3.2. in Appendix A reports full variable definitions and transformations.

We use four complementary profitability outcomes that foreground different dimensions of firm performance. Log profit per employee captures profitability scaled by workforce size.

Operating ROA captures profitability relative to the firm's asset base. Operating margin captures operating profit per dollar of revenue. Gross margin captures the share of revenue retained after direct production costs. Together, these measures allow us to assess whether the association between philanthropy type and firm performance is concentrated in labor-scaled, capital-scaled, or revenue- and cost-based profitability. However, we do not interpret any one of these outcomes as identifying the causal effect of a particular stakeholder group or mechanism.

3.1.5 Data facts. Table 1 reports descriptive statistics. The sample captures the large-firm segment of the public economy with mean revenue of \$19.94 billion and mean assets of \$82.80 billion, with wide dispersion (revenue ranges from \$1.35 billion to \$471.90 billion; assets range from \$0.25 billion to \$2.90 trillion). Firms employ, on average, 57.7 thousand workers (min 1.0 thousand; max 2,202 thousand). Profitability also varies substantially across firm-years reflecting a right-skewed distribution with occasional very high-profit observations.

About 85% of firms engage in philanthropy in a given year. These donor firms contribute above \$21.9 billion in aggregate annual philanthropy across our panel. This translates to about \$30.9 billion in 2024 dollars. Our data show an average of \$43.8 million in annual philanthropic outlays per donating firm-year, roughly 0.22% of annual revenues. This is an upper bound consistent with reports suggesting that philanthropy ranges from 0.05% to 0.30% of revenues among large firms (Indiana University Lilly Family School of Philanthropy, 2024; O'Leary, Olsen-Phillips, and O'Neil, 2018). The annual corporate giving in our sample is 57.38% predominantly developmental, 19.25% predominantly restorative, and 23.37% mixed. Firms primarily engaging in developmental philanthropy have an average annual expenditure of around \$47.2 million (SD = \$58.8 million), and the largest single-firm observation is about \$1.07 billion. Restorative donations average about \$30.4 million per firm annually (SD = \$47.75 million), with

a maximum expenditure close to \$750 million. Firms distributing philanthropy relatively evenly have an average annual expenditure of \$46.6 million (SD = \$59.1 million), and a maximum of \$950 million. Recipient-counties span very small to very large populations (321 to 9.69 million) and vary in local conditions (e.g., median personal income ranges from \$13,377 to \$58,497; rural-urban continuum code ranges from 1 to 9).

Insert Table 1 about here

3.1.6 Main archival results. Table 2 reports the main archival estimates, and Appendix Table A.12 presents the same models with the full set of control-variable coefficients. Across the four outcomes, the clearest pattern is that restorative-dominant years are associated with higher subsequent profitability than non-donor years, with mixed-profile years generally falling in between and developmental-dominant years showing comparatively little movement.

The largest differences appear in profit per employee and operating ROA. In Column 1, restorative-dominant years are associated with about \$1.8 thousand more annual profit per employee in the following year ($p=0.010$), relative to a sample mean of \$57.69 thousand. Mixed-profile years correspond to roughly \$1.0 thousand more profit per employee ($p=0.034$). By contrast, developmental-dominant years imply only about \$0.5 thousand more profit per employee, a difference that is not meaningfully separated from zero. Column 2 shows the same ordering for operating ROA. Restorative-dominant years are associated with about \$0.21 more operating income per \$100 of assets ($p=0.003$), and mixed-profile years with about \$0.12 more per \$100 of assets ($p=0.046$). The developmental estimate is much smaller, about \$0.04 per \$100 of assets, and does not differ meaningfully from zero.

The margin outcomes move in the same direction, but the magnitudes are smaller. Restorative-dominant years are associated with about \$0.15 more operating profit per \$100 of sales in Column

3 ($p=0.080$) and about \$0.17 more gross profit per \$100 of sales in Column 4 ($p=0.052$). The remaining margin estimates are modest and not meaningfully different from zero. The equality tests at the bottom of Table 2 reinforce this broader pattern. The gap between restorative- and developmental-dominant years is more clearly expressed in profit per employee and operating ROA than in the two margin measures. Taken together, the archival evidence points most strongly to higher profitability per worker and returns on assets in years when firms allocate the majority of their philanthropic portfolio to restorative missions.

Insert Table 2 about here

3.1.7 Alternative explanations. We conduct three supplementary tests to assess whether (i) profitability is higher following entry into restorative-dominant giving, (ii) prior profitability predicts subsequent entry into restorative-dominant philanthropy, and (iii) restorative portfolios reflect reputational repair after prior harm. First, Table 3 presents an event-time analysis around a firm's first clean entry into restorative-dominant philanthropy, defined as the first year in which restorative causes account for at least 60% of annual philanthropic spending after at least three prior years without a restorative-dominant profile. In the two observable pre-entry years ($k = -3$ and $k = -2$; $k = -1$ omitted), the coefficients remain close to zero across all four outcomes, and the pooled pre-entry tests are likewise near zero (p -values from 0.842 to 0.957). At entry ($k = 0$), profit per employee is higher by approximately 0.027 log points ($p=0.039$), which corresponds to roughly \$1.6 thousand more annual profit per employee relative to the sample mean of \$57.69 thousand. Operating ROA is higher by 0.188 percentage points ($p=0.018$), or about \$0.19 more operating income per \$100 of assets. The corresponding post-entry coefficients remain positive in the following years, and the pooled post-entry tests indicate that the overall upward shift is

concentrated in profit per employee ($p=0.041$) and operating ROA ($p=0.024$). By contrast, operating and gross margins also move upward after entry, but those differences are smaller and not cleanly distinguished from zero. Overall, the event-time profile is more consistent with differences appearing around or after entry into a restorative-dominant profile than with pre-existing upward trends.

Insert Table 3 about here

Second, Appendix Table A.1 tests reverse causality by estimating firm fixed-effects linear probability models in which the dependent variable equals one when restorative causes account for at least 60% of annual philanthropic spending. Panel A restricts the sample to donor firm-years, so the estimates capture whether more profitable donor years are followed by a shift toward restorative dominance conditional on giving. Panel B uses the full sample, coding non-donor firm-years as 0, and therefore captures both entry into giving and selection into restorative portfolios. Across both panels, the estimated effects of prior profitability are small, with most coefficients close to zero. This provides little evidence that more profitable firms systematically sort into restorative-dominant portfolios. In other words, restorative dominance does not appear to be a mechanical consequence of higher prior profitability.

Third, Appendix Table A.2 evaluates whether changes in philanthropic profile are consistent with a reputational-repair interpretation following prior harm. The table uses two complementary $t-1$ proxies. Panel A measures firm-level social irresponsibility using MSCI ESG STATS, operationalized as the standardized count of MSCI/KLD concerns. Panel B measures negative media as the standardized log of 1 plus the number of prior-year negative-tone news articles in our media corpus assembled from Factiva, LexisNexis Uni, Google Programmable Search, NewsAPI,

and ReliefWeb. Columns 1-3 restrict the sample to donor firm-years, so coefficients reflect shifts among restorative-, developmental-, and mixed-profile donors. Columns 4-6 use the full sample, capturing both entry into giving and portfolio composition. Across both proxies, the larger and more precise shifts are toward developmental-dominant portfolios. In Panel A, a one-standard-deviation increase in MSCI/KLD concerns is associated with a 1.8 percentage-point higher probability of developmental dominance among donors ($p=0.010$) and a 1.5 percentage-point higher probability of restorative dominance ($p=0.013$), with little movement into mixed portfolios ($p=0.231$). In the full sample, the developmental association remains 1.1 percentage points ($p=0.028$), while the restorative association is smaller ($p=0.072$). Panel B shows a similar pattern: negative media predicts a 1.2 percentage-point increase in developmental dominance among donors ($p=0.046$), compared with 0.8 percentage points for restorative dominance ($p=0.110$), and the full-sample results follow the same pattern.

3.1.8 Additional robustness. Appendix A reports a broader set of robustness checks. These include models with the alternative dominance thresholds of 75% and 90% (Table A.4) and the continuous share of restorative giving (Table A.5). We test whether the effects are driven by beneficiary novelty (Table A.6), donation frequency (Table A.7), stakeholder orientation (B2B versus B2C; Table A.8) and donation media visibility (Table A.9). Complementing the reverse causality test in Table A.1, we also conduct a within-firm switcher analysis restricted to firms that move across dominant philanthropy profiles and compare each firm to itself over time. This test asks whether changes in philanthropic orientation within firms coincide with changes in performance once stable firm-level differences are absorbed (Table A.10). Finally, we run models after winsorizing philanthropic expenditure and profitability measures (Table A.11). Across these specifications, the most stable positive restorative coefficients remain those for profit per employee

and operating ROA, with directionally similar but less precise patterns for operating and gross margins.

3.2. Experimental Evidence (H2): Stakeholder Perceptions and Donation Missions

Our analysis focuses on employees as a consequential stakeholder group and a starting point for testing the interpretive link in our argumentation. As an internal audience, employees routinely encounter the firm's prosocial choices, they experience the organization as an employer, and their reactions can affect economically relevant outcomes such as pride, identification, cooperation, attraction, and retention (Cassar & Meier, 2018; Cassar, 2019; Turban & Greening, 1997; Albinger & Freeman, 2000). Employee perceptions offer a tractable set of proximal judgments that can be examined in controlled settings, like the one we use, which makes them useful for assessing how donation mission type translates into stakeholder evaluation.

3.2.1 Overview, design, and samples. Our study conceptualizes employee perceptions (i.e., perceived self-oriented risk, donation effectiveness, and beneficiary deservingness) as proximal psychological channels through which the type of donation mission shapes downstream employee responses that are plausibly linked to firm profitability. To evaluate these channels, we conduct two preregistered and IRB-approved experiments designed to measure how restorative versus developmental missions shape employee perceptions of the firm's giving, and to explore whether these perceptions translate into downstream responses (Experiment 1: <https://aspredicted.org/p8cd-f4yx.pdf>; Experiment 2: <https://aspredicted.org/bg8th8.pdf>).

Both experiments recruit employed adults from Prolific who currently work at large private or publicly listed firms, aligning the experimental sample with the firms represented in the archival panel. In both studies, participants are told that they are working for a fictitious engineering firm,

Palisades, and are randomly assigned to read one of two philanthropic messages. See Appendix B for the full procedure and experimental materials. Figure 2 presents the experimental stimuli.

The two experimental conditions are identical across the studies and operationalize the beneficiaries' welfare trajectory. In the restorative condition, Palisades makes a donation whose mission is to restore the independence and well-being of beneficiaries who recently became blind because of an unexpected fire. In the developmental condition, Palisades makes a donation whose mission is to enhance the independence and well-being of beneficiaries facing long-term blindness. We adapt these vignettes from prior work on gain-loss framing in prosocial contexts (Small, 2010). This scenario provides a morally neutral contrast that only varies the beneficiaries' welfare trajectory implied by the donation mission without varying blame, their current circumstances, or what the donation achieves. We hold tone, length, and structure constant across conditions. Both conditions include an identical photograph to enhance realism without confounding treatment assignment.

Insert Figure 2 about here

Experiment 1 recruits 300 workers, obtains 299 completed responses, and retains 275 after excluding respondents who spent less than 30 seconds on the manipulation page, failed at least one of two attention checks, or duplicated an IP address.⁴ Workers receive a fixed payment of \$2.00. After reading the manipulation, participants complete a real-effort clerical task and then answer the perception items. Experiment 2 recruits 500 workers, obtains 503 completed responses, and retains 466 after the same exclusion procedures. Workers receive a fixed payment of \$1.20. In Experiment 2, perceptions are measured immediately after manipulation and participants complete

⁴ These procedures are recommended for removing inattentive responses from online informants to ensure data quality (Meyvis & van Osselaer, 2017; Oppenheimer, Meyvis, & Davidenko, 2009; Aguinis, 2025).

an employer-attractiveness scale. We report sample characteristics and random assignment balances in both experiments in Appendix Table B.1.

3.2.2 Measures and manipulation checks. Both experiments implement the same three measures of employee perceptions of philanthropy. Perceived self-oriented risk is assessed with three items adapted from Weber et al. (2002) on a seven-point scale ranging from 1 (“not at all risky”) to 7 (“extremely risky”); reliability is $\alpha = 0.94$ in Experiment 1 and $\alpha = 0.93$ in Experiment 2. Perceived donation effectiveness is measured with three items adapted from Erlandsson et al. (2015) on a seven-point agreement scale; reliability is $\alpha = 0.93$ in Experiment 1 and $\alpha = 0.94$ in Experiment 2. Perceived beneficiary deservingness is measured with three items adapted from Huber et al. (2011) and Small (2010); reliability is $\alpha = 0.96$ in both experiments. In both studies, we randomize the order of the scales and the items within each scale. The measurement scales and descriptive statistics for the three perceptions are reported in Appendix Table B.2.

Appendix Table B.3 examines the interdependence of the three employee perception measures using several complementary diagnostics. Across both experiments, perceived self-oriented risk is only weakly related to the other two perceptions. In Experiment 1, risk shares 3.2% of variance with perceived donation effectiveness and 3.2% with beneficiary deservingness; in Experiment 2, the corresponding overlaps are 5.2% and 2.9%. The strongest association is between perceived donation effectiveness and beneficiary deservingness, which share about one-quarter of variance in both experiments. Importantly, this pattern remains substantively similar after partialling out experimental condition, and multicollinearity remains low in both studies (maximum VIFs = 1.35 and 1.37). Taken together, these results suggest that the three perceptions are related in theoretically expected ways but are not empirically redundant. We therefore treat mediation evidence as suggestive rather than as evidence of fully separable mechanisms.

As seen in Appendix Table B.4, across both experiments, the manipulation checks confirm that participants interpreted the two philanthropy conditions as intended. In Experiment 1, workers in the restorative condition are much more likely than those in the developmental condition to report that the donation addresses a sudden welfare loss (6.51 versus 4.86, $F(1, 273) = 88.32$, $p < 0.001$), whereas workers in the developmental condition are more likely to report that the donation addresses a persistent state of low well-being (5.76 versus 4.83, $F(1, 273) = 24.16$, $p < 0.001$). The same pattern appears in Experiment 2: 6.73 versus 3.47 for sudden loss ($F(1, 464) = 449.13$, $p < 0.001$) and 6.05 versus 3.95 for persistent low well-being ($F(1, 464) = 172.45$, $p < 0.001$).

3.2.3 Main results: employee perceptions (H2a-H2c). All experimental outcome models are estimated as OLS regressions with a single binary indicator for experimental condition coded 0 = developmental philanthropy and 1 = restorative philanthropy. Because each model contains only the condition indicator, the OLS coefficient is equivalent to the difference in means across conditions and yields the same p-value as the corresponding one-way ANOVA.

The results are presented in Table 4. Experiment 1 provides the initial test of H2a-H2c. Workers exposed to restorative philanthropy report higher perceived self-oriented risk than workers exposed to developmental philanthropy ($M=4.83$ versus 4.18, $b=0.65$, $p<0.001$). They also perceive the donation as more effective ($M=6.03$ versus 5.76, $b=0.27$, $p=0.031$). The difference in perceived deservingness is not sizeable ($p=0.602$). Experiment 2 serves as the higher-powered replication. The results show that restorative philanthropy again increases perceived self-oriented risk ($M = 4.46$ versus 3.87, $b = 0.59$, $p < 0.001$) and perceived donation effectiveness ($M = 6.05$ versus 5.77, $b = 0.28$, $p = 0.002$). In addition, the deservingness difference becomes statistically discernible in the larger sample ($M = 6.53$ versus 6.36, $b = 0.16$, $p = 0.032$).

Across the two experiments, restorative philanthropy therefore produces a consistent perceptual pattern on self-oriented risk and donation effectiveness, while the deservingness effect only appears in Experiment 2.

Insert Table 4 about here

3.2.4 Exploratory downstream outcomes: employer attractiveness and task-level effort. To connect the experimental evidence more directly to the archival finding that restorative-dominant giving is associated with higher subsequent profitability, we examine two downstream employee outcomes that plausibly operate on different time horizons and are feasible to assess in controlled settings.

First, employer attractiveness captures whether a firm's donation mission makes employees more willing to affiliate with the firm. This outcome matters because prosocial engagement can shape labor-market responses, such as applicant attraction, retention, and compensation expectations, that ultimately can bear on firm performance (Turban and Greening, 1997; Jones et al., 2014; Bode et al., 2015; Carnahan, Kryscynski, and Olson, 2017; Portocarrero and Burbano, 2024; Burbano, 2016). In Experiment 2, we measure employer attractiveness using a five-item scale adapted from Highhouse et al. (2003) and Lievens and Highhouse (2003) ($\alpha = 0.93$). The items, presented in Appendix Table B.5, capture pride in working for the firm, perceived attractiveness as an employer, willingness to apply, willingness to recommend the firm to others, and overall favorability toward the firm as a workplace.

As reported in Table B.5 (Panel A), participants in the restorative condition evaluated Palisades more favorably as an employer than participants in the developmental condition ($M = 5.93$ vs. 5.77). The estimated difference is modest and imprecise ($b = 0.16$, $SE = 0.09$, $p = 0.071$), but the direction of the effect is consistent with the idea that restorative missions can make a firm more

attractive as an employer. To probe how mission type may translate into employer attractiveness, we estimate causal mediation models with the three perceptions as parallel mediators (PROCESS Model 4; 5,000 bootstrap samples; Hayes, 2022). Table B.5 (Panel B) shows sizeable indirect effects through perceived donation effectiveness (indirect effect = 0.16, 95% CI [0.059, 0.264]) and, more weakly, through perceived self-oriented risk (0.03, 95% CI [0.002, 0.062]). The indirect effect through perceived beneficiary deservingness is small and not distinguishable from zero (0.01, 95% CI [-0.005, 0.033]). Taken together, these patterns suggest that restorative missions are more likely to translate into employer attractiveness primarily because they increase perceived donation effectiveness, and secondarily because they heighten the personal salience of the underlying risk.

To explore whether donation missions shape short-horizon employee behavior, Experiment 1 included a brief real-effort clerical task. This is a short-horizon behavioral indicator that is proximal to performance (Lazear, 2000; Gosnell, List, and Metcalfe, 2020; Tonin and Vlassopoulos, 2015). After exposure to the philanthropic message, participants matched error codes to action codes for as long as they wished. We measure completed tasks and correctly completed tasks. We calculate task accuracy as the proportion of completed tasks done correctly (Burbano, 2021). Appendix Table B.7 Panel A reports that participants in the restorative condition complete more tasks ($M = 2.19$ vs. 1.91 , $p = 0.186$) and more correct tasks ($M = 2.07$ vs. 1.72 , $p = 0.113$), but neither difference is substantial. Accuracy rates are likewise similar across conditions (restorative: 94.5%; developmental: 90.1%; $p = 0.197$). Supplementary mediation analyses (Table B.7 Panel B) show no meaningful indirect effects through any of the three perceptions.

Taken together, the results are more consistent with restorative philanthropy shaping how employees evaluate the firm than with it producing short-run increases in task performance in our

controlled setting. Because both outcomes are observed in stylized, short-duration settings rather than repeated organizational interactions, we interpret them as exploratory evidence about plausible channels rather than as definitive tests of long-run profitability.

4 DISCUSSION

This study examines whether the welfare trajectory embedded in corporate philanthropy shapes stakeholder interpretation and is differentially associated with firm profitability. Building on prospect theory's gain-loss logic (Kahneman and Tversky, 1979; Tversky and Kahneman, 1992), we distinguish restorative donation missions that repair discrete welfare losses from developmental missions that seek to improve chronically constrained welfare. In a 20-year panel of large U.S. firms, we document that restorative-dominant portfolios are associated with higher subsequent profitability than both non-donor years and developmental-dominant portfolios. Two preregistered experiments then focus on employees as one stakeholder channel and examine key perceptions implied by gain-loss logic. Across experiments, restorative missions increase perceived donation effectiveness and perceived self-oriented risk, while differences in perceived beneficiary deservingness are not sizeable. These perceptual shifts map onto a modest direct difference in employer attractiveness and positive indirect paths through perceived effectiveness and self-oriented risk. We do not observe robust differences in short-horizon task effort.

4.1 Contributions

Our findings contribute first to research on strategic implications of corporate philanthropy. Prior work shows that the consequences of corporate philanthropy depend on how giving is structured and how stakeholders interpret it, for example, through the sincerity or qualitative features of giving and the breadth of causes supported (Cuypers et al., 2016; Wang and Qian, 2011; Seo et al., 2021). We extend this work by introducing beneficiaries' welfare trajectory as a theoretically

grounded and empirically tractable dimension of donation missions that can help explain variance in stakeholder responses. In doing so, our study complements work that emphasizes idiosyncratic preferences over social causes by identifying a content-based attribute of donation missions that is systematically associated with profitability and with how employees interpret the firm's prosocial behavior. Our experiments suggest that stakeholder responses to corporate philanthropy are consistent with reference-dependent evaluations of social need.

Our findings also speak to research on prosocial missions and mission matching. This literature examines whether organizational missions influence worker sorting and effort, with particular attention to whether effects depend on alignment between mission types and individual preferences (Besley and Ghatak, 2005; Carpenter and Gong, 2016; Cassar, 2019; Cassar and Meier, 2018; Fehrler and Kosfeld, 2014). While some studies find that mission-match matters (Carpenter and Gong, 2016), the broader evidence indicates considerable heterogeneity in when and why missions shape effort.

Our framework offers a complementary perspective by identifying a systematic dimension of philanthropic missions that operates before idiosyncratic preference matching enters. Rather than asking whether specific employees happen to care about a particular cause, the experimental evidence suggests that donation missions differ in their average appeal across stakeholders due to vicarious gain-loss evaluation. Restorative missions may resonate more broadly because stakeholders perceive them as comparatively effective and personally salient, not merely because they align with pre-existing individual values. This suggests that mission effects may partly reflect general psychological responses to mission attributes rather than solely depending on person-mission fit.

Finally, our experimental evidence connects with research on employee-level consequences of nonmarket strategy. Prior work shows that firm prosocial behavior can influence applicant attraction, compensation expectations, and retention, although these effects vary across settings (Turban & Greening, 1997; Albinger & Freeman, 2000; Burbano, 2016; Portocarrero & Burbano, 2024). At the same time, prosocial behavior like philanthropy does not uniformly improve short-run workplace behavior and can even generate adverse behavioral responses in some contexts (List & Momeni, 2021). Our experiments inform this debate and point to a boundary condition of donation missions. The patterns in our experiments suggest that the employee-level channel through which philanthropic heterogeneity affects firm performance is more likely to operate through attraction and how the firm is evaluated than through immediate productivity gains.

The experiments provide little support for immediate performance effects, but they do show systematic differences in how employees evaluate the firm and its donation mission. This points to responses, such as employer attraction, as more plausible employee-level pathways through which philanthropy type may matter for firm performance.

4.2 Limitations and Boundary Conditions

These findings should be interpreted in light of several limitations and boundary conditions. First and foremost, they do not imply that firms ought to privilege restorative donation missions categorically. Developmental missions may create value through channels that our design is less well positioned to capture, including sustained stakeholder relationships, repeated opportunities for employee engagement, and longer-horizon attraction and retention effects (Bode et al., 2015; Turban and Greening, 1997; Portocarrero and Burbano, 2024). We therefore view the welfare trajectory embedded in a firm's donation mission as one important source of heterogeneity in corporate philanthropy, not as a normative ranking of firms' social priorities.

Second, our archival design remains observational. Although our supplementary analyses reduce concern that the restorative-profitability association reflects pre-existing trends, simple reverse causality, or a pure reputational-repair process, the archival evidence cannot fully rule out selection into restorative giving. More importantly, profitability is multi-causal and may reflect diverse responses by multiple stakeholders. These stakeholder responses can be sources of time-varying differences across firms that we are not able to account for. Additionally, our donation measures rely on publicly available reports and a text-based classifier, which can miss unreported gifts and may capture the mission stated in external records rather than internal intent. Future work could integrate internal corporate records, surveys, or interviews to validate donation missions as they are understood inside firms and to better map stakeholder exposure to specific initiatives.

Third, while the experiments provide evidence that donation missions shift key employee perceptions, they do not fully account for the magnitude of firm-level differences observed in the archival analysis. The experimental design isolates specific perceptual channels in controlled settings, whereas firm profitability reflects the aggregation of responses across multiple stakeholders and over longer time horizons. We therefore interpret the experimental results as evidence of plausible micro-level mechanisms for one important stakeholder group (employees), rather than a complete account of the pathways linking donation missions to firm performance. In addition, the downstream consequences we examine are exploratory and limited to the short horizon of the experimental setting. Although restorative missions increase perceived effectiveness and self-oriented risk and are associated with greater employer attractiveness, participants are online workers rather than employees with ongoing relationships with the focal firm. Accordingly, we interpret this evidence as informative about short-run evaluative and

behavioral responses in controlled settings, while noting that smaller effects or longer-horizon effects may be difficult to detect with brief tasks.

Fourth, our theoretical account centers on vicarious gain-loss evaluation, which should be strongest when the beneficiaries' reference point is clear and the welfare setback is vivid and credible (Kahneman and Tversky, 1979; Loewenstein and Small, 2007; Small, 2010). It may weaken when the baseline is ambiguous, when missions blend loss repair and long-run development, or when stakeholders have limited visibility into the firm's giving. Employee responses may also depend on whether giving is perceived as episodic or sustained, and on whether beneficiaries are socially proximate to workers and their communities (Small and Simonsohn, 2008). Finally, the three perceptual channels likely reflect overlapping evaluative judgments, so mediation results should be viewed as suggestive evidence about plausible pathways rather than fully separable mechanisms (Hayes, 2022).

4.3 Managerial Implications

For managers, the practical implication is that corporate philanthropy should not be treated only as a budgeting decision. It is also a choice about the kind of welfare change the firm is supporting. Portfolio decisions should therefore distinguish between donation missions aimed at restoring welfare after a discrete loss and missions aimed at improving persistently low welfare, rather than treating all causes as interchangeable forms of giving. For firms pursuing developmental missions, the implication is not to abandon them, but to make their longer-horizon value more visible through clearer milestones, more tangible communication of impact, and sustained opportunities for stakeholder involvement. Developmental missions can create value through stronger community relationships, employee volunteer opportunities, and longer-horizon attraction and retention effects that are less visible in short-run evaluative settings. More broadly, our study suggests that

the missions firms support can shape how their prosocial actions are evaluated. Donation mission is therefore part of the strategic design of corporate philanthropy.

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TABLES AND FIGURES

TABLE 1
Panel Data: Descriptive Statistics

Variables	Mean	Standard deviation	Min	Max
Panel A. Firm				
Operating ROA (%)	4.02	5.86	-50.00	40.00
Revenue (\$bn)	19.94	30.53	1.35	471.90
Net profit per employee (\$000)	57.69	255.69	-0.58	3,000.00
Operating margin (%)	16.83	15.27	-52.00	67.50
Gross margin (%)	38.46	21.38	-12.00	96.20
Employees (000s)	57.70	83.25	1.00	2,202.00
Total assets (\$bn)	82.80	249.30	0.25	2,899.00
Admin & advertising exp. (\$bn)	8.60	15.73	0.02	119.80
Tobin's Q	0.85	0.82	0.01	6.47
R&D intensity (% of revenue)	2.97	4.14	0.00	35.56
Consumer orientation (indicator)	0.46	0.50	0.00	1.00
Panel B. Beneficiary county				
Population (000s)	86.33	342.52	0.32	9,686.11
Men (%)	49.60	2.00	43.00	68.70
Adults with < high school (%)	23.90	9.10	3.00	65.30
White (%)	86.10	16.69	12.24	99.60
Black (%)	10.60	15.76	0.00	84.20
Hispanic (%)	7.60	13.93	0.13	97.10
American Indian (%)	1.40	6.40	0.00	86.20
Asian (%)	0.70	1.89	0.00	32.40
Native Hawaiian (%)	0.05	0.08	0.00	1.40
Jobs per capita	0.49	0.13	0.03	1.10
Median personal income (\$000)	25.41	5.52	13.38	58.50
Rural–urban continuum code	5.10	2.80	1.00	9.00
Panel C. Philanthropy				
Annual philanthropic expenditure (\$m) [unconditional]	27.33	55.24	0.00	1,066.61
Annual philanthropic expenditure (\$m) [conditional, donor-years>0]	43.80	57.42	7.95	1,066.61
Developmental (57.38%) (\$m)	47.20	58.83	7.95	1,066.61
Restorative (19.25%) (\$m)	30.43	45.75	8.15	750.43
Mixed-profile (23.37%) (\$m)	46.63	59.11	8.10	950.12
Philanthropic experience (panel years)	8.34	5.26	0.00	20.00
Donation publicity	0.99	0.85	0.00	7.21
Firm publicity	2.32	1.10	0.00	9.84

Notes: Panel A summarizes firm characteristics for the 500 largest U.S. firms by 2019 revenue over 2000–2019 (firm-year observations). Panel B reports donation-weighted recipient county characteristics for the counties where corporate philanthropy was directed. Panel C reports annual corporate philanthropic expenditure and related variables. Publicity variables are $\log(1 + \text{annual article counts})$. See Data section for variable definitions and construction.

TABLE 2
The Association between Philanthropic Profile and Firm Profitability

Dependent variable $t+1$	(1) Profit per employee	(2) Operating ROA	(3) Operating margin	(4) Gross margin
Developmental-dominant t	0.009 (0.006) [0.134]	0.043 (0.049) [0.380]	0.018 (0.069) [0.794]	0.031 (0.068) [0.648]
Restorative-dominant t	0.031 (0.012) [0.010]	0.208 (0.070) [0.003]	0.147 (0.084) [0.080]	0.171 (0.088) [0.052]
Mixed-profile t	0.017 (0.008) [0.034]	0.118 (0.059) [0.046]	0.068 (0.073) [0.352]	0.097 (0.079) [0.220]
Dependent variable t	0.748 (0.010) [0.000]	0.548 (0.020) [0.000]	0.598 (0.020) [0.000]	0.699 (0.010) [0.000]
Controls	Firm + Beneficiary County + Donation event			
Fixed effects	Firm + Beneficiary County + Industry-year			
Multinomial entropy	Yes			
Observations (firm-years)	10,000	10,000	10,000	10,000
Number of firms	500	500	500	500
Adjusted R ²	0.298	0.257	0.276	0.417
Wald Tests (p-value)				
Restorative = Developmental	0.058	0.041	0.248	0.192
Restorative = Mixed	0.139	0.184	0.381	0.426
Developmental = Mixed	0.424	0.298	0.612	0.487

Notes: This table presents estimates from panel regressions evaluating the association between philanthropy types and firm profitability. The omitted category is non-donor firm-years. Dependent variables are measured at $t+1$; philanthropy-type indicators are measured at t . Operating ROA, operating margin, and gross margin are expressed in percentage points (ratio $\times$ 100). Profit per employee is the natural logarithm of net profit divided by the number of employees. Operating ROA is operating profit (earnings before interest and tax) divided by total assets. Operating margin is operating profit divided by operating revenue. Gross margin is gross profit (revenue minus cost of goods sold) divided by operating revenue. Robust standard errors clustered at the firm level are reported in parentheses and p-values in brackets.

TABLE 3
Event-Time Analysis of Entering into a Restorative-Dominant Profile

Dependent variable $t+1$	(1)	(2)	(3)	(4)
Event time (k)	Profit per employee	Operating ROA	Operating margin	Gross margin
k = -3	0.001 (0.011) [0.928]	0.008 (0.069) [0.908]	-0.006 (0.088) [0.946]	0.007 (0.093) [0.940]
k = -2	0.005 (0.011) [0.650]	0.024 (0.070) [0.732]	0.013 (0.084) [0.877]	0.018 (0.089) [0.840]
k = 0	0.027 (0.013) [0.039]	0.188 (0.079) [0.018]	0.128 (0.089) [0.152]	0.149 (0.090) [0.100]
k = +1	0.024 (0.014) [0.088]	0.171 (0.081) [0.036]	0.119 (0.089) [0.183]	0.143 (0.089) [0.110]
k = +2	0.020 (0.014) [0.155]	0.146 (0.084) [0.084]	0.097 (0.093) [0.298]	0.129 (0.094) [0.172]
k = +3	0.015 (0.014) [0.285]	0.118 (0.088) [0.182]	0.078 (0.097) [0.422]	0.104 (0.098) [0.290]
Pooled pre (p-value)	0.903	0.842	0.957	0.917
Pooled post (p-value)	0.041	0.024	0.211	0.119
Firms	180	180	180	180
Controls	Firm + Beneficiary county + Donation event			
Fixed effects	Firm + Beneficiary county + Industry-year			
Multinomial entropy	Yes			
Observations by event time	(event-firm years)	(event-firm years)	(event-firm years)	(event-firm years)
k = -3	115	115	115	115
k = -2	140	140	140	140
k = -1 (omitted)	165	165	165	165
k = 0	180	180	180	180
k = +1	165	165	165	165
k = +2	140	140	140	140
k = +3	115	115	115	115

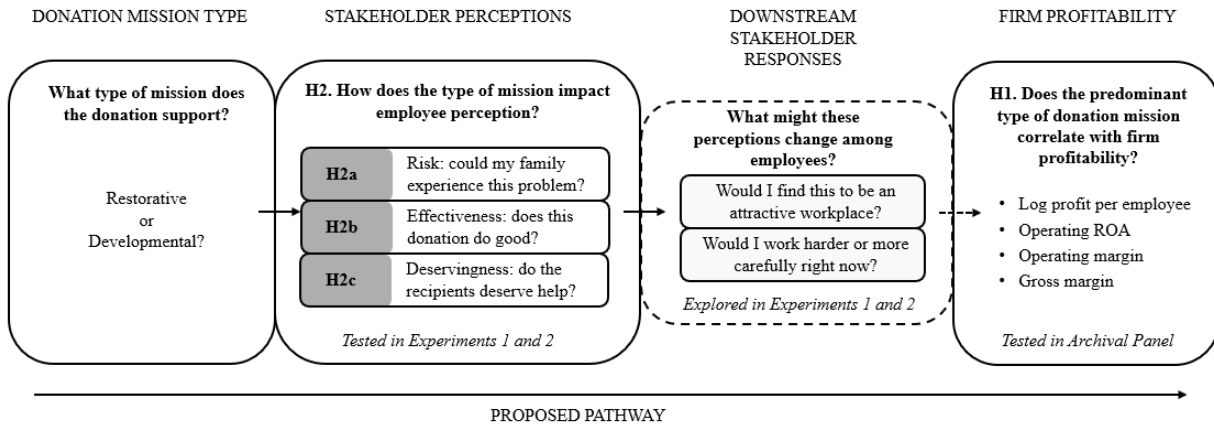
Notes: This table presents estimates from panel regressions evaluating the association between philanthropy types and firm profitability. The sample is firms with a 'clean entry' into restorative-dominant philanthropy from 500 publicly traded U.S. firms by revenue, observed annually from 2000 to 2019. Cluster-robust standard errors in parentheses and p-values in brackets. P-values are computed as two-sided t-tests using $df = (\# \text{ entry firms} - 1)$ and rounded to three decimals; 0.000 indicates $p < 0.001$. Event year E is defined as the first year a firm is classified as restorative-dominant ($\geq 60\%$ of annual philanthropic spend directed to restorative causes) following at least three years without being restorative-dominant ('clean entry'). Event time is $k = t - E$. The dependent variable is measured at $t+1$ to align with the main panel specification (philanthropy composition in year t predicting profitability in year $t+1$). The omitted reference period is $k = -1$. Observation counts by k reflect endpoint truncation and missingness in an unbalanced event window; each entry event contributes at most one observation to each k bin, so $N_k \leq N_{\{k=0\}}$ by construction.

TABLE 4
Experiments 1 and 2:
Differences in Employee Perceptions across Philanthropy Conditions

Perception outcome and statistic	(1) Experiment 1	(2) Experiment 2
Panel A. Perceived self-oriented risk		
Developmental philanthropy mean (SD)	4.18 (1.63)	3.87 (1.53)
Restorative philanthropy mean (SD)	4.83 (1.45)	4.46 (1.61)
Treatment effect, b (SE)	0.65 (0.19)	0.59 (0.15)
p-value	< 0.001	< 0.001
R ²	0.043	0.035
ANOVA F	12.12	16.59
Panel B. Perceived donation effectiveness		
Developmental philanthropy mean (SD)	5.76 (1.03)	5.77 (0.98)
Restorative philanthropy mean (SD)	6.03 (1.03)	6.05 (0.97)
Treatment effect, b (SE)	0.27 (0.12)	0.28 (0.09)
p-value	0.031	0.002
R ²	0.017	0.021
ANOVA F	4.73	9.87
Panel C. Perceived beneficiary deservingness		
Developmental philanthropy mean (SD)	6.37 (0.82)	6.36 (0.88)
Restorative philanthropy mean (SD)	6.42 (0.87)	6.53 (0.75)
Treatment effect, b (SE)	0.05 (0.10)	0.16 (0.08)
p-value	0.602	0.032
R ²	0.001	0.010
ANOVA F	0.27	4.65

Notes: This table reports descriptive statistics and treatment-effect estimates for Experiments 1 and 2. Columns (1) and (2) report results from separate experiments comparing developmental and restorative philanthropy conditions. Within each panel, the first two rows report means and standard deviations for the developmental and restorative conditions. Treatment effect, b (SE), reports the OLS coefficient for the experimental condition coded 0 = developmental philanthropy and 1 = restorative philanthropy. Because each model includes only this binary indicator, the treatment coefficient is equivalent to the mean difference between conditions and yields the same p-value as the corresponding one-way ANOVA. Higher values indicate stronger perceptions. Perceived self-oriented risk was measured on a seven-point scale from 1 = not at all risky to 7 = extremely risky; perceived donation effectiveness was measured on a seven-point scale from 1 = strongly disagree to 7 = strongly agree; perceived beneficiary deservingness was measured on a seven-point scale from 1 = not at all deserving to 7 = very much deserving. Experiment 1 retained 275 participants (n = 140 developmental; n = 135 restorative) and the ANOVA statistics are from F(1, 273). Experiment 2 retained 466 participants (n = 232 developmental; n = 234 restorative) and the ANOVA statistics are from F(1, 464).

FIGURE 1
Theorized Causal Path. From Donation Mission to Firm Profitability



Notes: The figure illustrates the theorized pathway linking donation mission type, employee perceptions, and firm profitability. Stakeholder perceptions (risk, effectiveness, deservingness) are tested in Experiments 1 and 2. Outcomes shown in the dashed box represent exploratory employee responses examined in the experiments. The dashed arrow represents a theorized pathway that is conceptually proposed but not directly tested in our studies. Firm profitability outcomes are examined in the archival panel analyses.

FIGURE 2
Experimental Manipulations: Developmental versus Restorative Philanthropy

Developmental Philanthropy	Restorative Philanthropy
Recently, Palisades made a significant philanthropic donation to support individuals who face a chronic problem that persistently leaves them blind and undermines their well-being. These individuals have had vision problems for most of their lives, through no fault of their own. For many years, they have experienced issues in performing their jobs and daily activities and in engaging in social activities. This donation contributed to improving the independence and well-being of those who have suffered this chronic problem.	Recently, Palisades made a significant philanthropic donation to support individuals who have been devasted by an unexpected fire that suddenly left them blind and undermined their well-being. These individuals have abruptly lost their vision to no fault of their own. As a result, all of a sudden, they experience issues in performing their jobs and daily activities and in engaging in social activities. This donation contributed to restoring the independence and well-being of those who have suffered this unexpected problem.
	

Notes: Participants were randomly assigned to one of two experimental conditions. Both conditions describe Palisades' donation to support individuals with vision loss, varying only the welfare trajectory. The developmental condition (left panel) describes a chronic, longstanding constraint. The restorative condition (right panel) describes welfare loss due to a discrete shock. The identical photograph in both conditions was included to enhance realism. All other elements (length, tone, structure, beneficiary characteristics) were held constant across conditions.