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# Motives for corporate philanthropy in El Salvador: Altruism and political legitimacy

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## Abstract

This paper discusses corporate philanthropy as practiced by Salvadoran companies in El Salvador. I review the literature that discusses trends and models of corporate philanthropy to highlight some of the motives companies may have to participate in charitable activities. I provide a history of the Salvadoran private sector to furnish a context that may help us understand philanthropic activity today. Next, I propose a model that may explain contemporary Salvadoran corporate philanthropy. The model is based on two propositions: that philanthropic acts by Salvadoran firms are positioned simultaneously as altruistic and politically strategic activities, and reflect individualism and paternalism. Finally, I discuss examples of Salvadoran corporate philanthropy, based on a recent field study in El Salvador to support the model.

# Corporate Philanthropy in El Salvador: An Altruistic and Political Legitimacy Model

*"The future of the country and the city depend on two things. First is the FMLN: How it acts and if it understands that governing is judged on results, and that it has to deliver. The second is the private sector, which has to understand it has to share a little more."*
*-- Hector Silva, former political ally of the FMLN, shortly after his election as mayor of San Salvador, April, 1997 (Farah, 1997).*

El Salvador, one of the smallest but most densely populated Latin American countries, is experiencing a period of regrowth and reconstruction after twelve years of civil war (Guevara, 1997). Following the 1992 Peace Accords, El Salvador is striving to create a neoliberal market economy and the role of private enterprise, both national and multinational, is critical to economic growth and development (Christian, 1995). Investment is also required, however, in social and cultural reconstruction following the civil war. As San Salvador mayor Hector Silva noted on election day in April 1997, a new relationship between the government and business sectors is essential to guarantee the resources necessary for such a transformation. During the war years of the 1980s, Salvadoran public and private resources that might have otherwise been invested in health, education, arts, community, and welfare services were diverted to the war effort by both right and left-winged factions. Although international organizations provided most developmental and relief aid during this period, a few Salvadoran individuals and firms made donations to charitable causes as well.

But unlike U.S. firms after World War II that used philanthropy to establish a strong presence in support of social and community services (Sharfman, 1994), the role and the extent of philanthropic behavior by the Salvadoran private sector is unclear. Philanthropy in El Salvador has not been documented or explored, nor is it a phenomenon that is easy to observe.

This paper discusses corporate philanthropy as practiced by Salvadoran companies in El Salvador. First, I review the literature that discusses trends and models of corporate philanthropy to highlight some of the motives companies may have to participate in charitable activities (Cowton, 1987; Jones, 1994). Second, I review the history of the Salvadoran private sector to provide a context that will help us understand current philanthropic behavior. Third, I offer a model of Salvadoran philanthropy supported by two propositions: that corporate philanthropic behavior by Salvadoran firms reflects individualism and paternalism, and is positioned as both an altruistic and a politically strategic activity (Simon, 1988). Finally, I discuss examples of Salvadoran corporate philanthropy, based on recent field work in El Salvador to support the model.

## THE NEED FOR A THEORY OF SALVADORAN CORPORATE PHILANTHROPY

The topic of corporate philanthropy is important in the Salvadoran context because it may provide evidence of the development of the private business sector in El Salvador. An observation of patterns of philanthropy may suggest whether Salvadoran firms desire to adopt the traditional shareholder model of the firm, or a more enlightened stakeholder model of firm behavior (Roberts & King, 1989), in the country's post-war environment. The study of Salvadoran corporate philanthropy may also reveal how Salvadoran firms are adjusting to another significant pressure, the global economy. The end of the Salvadoran civil war and global market pressures have driven Salvadoran firms to look beyond the their traditional markets and competitors to grow and survive. Industry in El Salvador has traditionally been concentrated in the hands of a limited number of oligarchs, but the end of the war, freer trade, and falling barriers to entry have made it difficult for industry leaders to defend their markets both politically and economically. A significant effort by Salvadoran firms to participate in corporate philanthropy may suggest that they recognize that by investing resources in the community, they may evoke a more favorable response from consumers and other stakeholders, creating a more positive business environment and increasing their ability to compete (Cochran & Wood, 1984).

TRENDS IN INTERNATIONAL CORPORATE PHILANTHROPY

There is evidence that corporate philanthropy is becoming an important activity to firms in foreign countries. Two particularly noteworthy trends that can be observed at the firm-level are the convergence of corporate philanthropy with other corporate programs, and the emergence of strategic philanthropy (Pasquero, 1991). First, for many years corporate philanthropy was a marginal activity that was usually carried out by the CEO at his discretion. But as the boundaries around corporate communications, public relations, community involvement, social responsibility, and even traditional advertising become increasingly blurred, philanthropy is becoming a better "fit" with other activities of the firm. Second, philanthropy is becoming more strategic, as firms manage their donation decisions like other spending activities, using performance objectives and professional staffs to manage the firm's charitable donations more effectively (Pasquero, 1991).

Two macro-economic trends add to the importance of corporate philanthropy in foreign countries. First, increased global competition requires that firms establish their competitive advantage from various sources. Corporate philanthropy may help a firm gain brand recognition and loyalty, promote itself as a "socially-responsible" firm, or attract and maintain a work force. For example, a Brazilian firm created a private foundation to provide quality education to poor children, which in turn is expected to result in a better educated workforce (Otis, 1997). Second, the elimination of government agencies and reductions in state budgets that previously supported the arts and social services have stimulated the growth of the voluntary agencies and private foundations to provide services and/or economically support them. More private voluntary agencies are trying to raise money from private corporations, as government support declines. Correspondingly, corporations are establishing foundations to channel these requests. In the late 1980s, five such organizations comprising over 600 corporate members were formed in Europe, where strong and almost exclusive state support of the arts and social services had been the norm (Pasquero, 1991). Otis (1997) notes that foundations have been established all over Latin America as a corporate response to social needs unmet by the public sector.

## MODELS OF CORPORATE PHILANTHROPY

Below I briefly review three models of corporate philanthropy to highlight the range of possible motives that firms may have for engaging in corporate philanthropy. The first model holds that philanthropy is motivated by a desire to benefit another, while the other two models argue that philanthropy is expected to result in strategic benefits to the firm (Carroll, 1991; Wood, 1991).

### The altruistic model of corporate philanthropy

The altruistic model of corporate philanthropy (Sharfman, 1994; Useem, 1984) is a non-strategic explanation of corporate giving. It argues that the firm uses social criteria to act in ways that are right for society. Altruistic philanthropy is practiced with the singular goal of helping others, and it is independent from the operational pressures of making profit. Altruism allows individual managers to pursue charitable goals that are not linked to corporate interests or performance. Despite its noble goals, the altruistic model alone tends to be a weak explanation for corporate philanthropy even in the most pluralistic of societies, because it ignores the profit maximization goal and other strategic goals of the firm (Neiheisel, 1994).

### The profit maximization model of corporate philanthropy

According to this model, corporate philanthropy must contribute to direct monetary gain like any other function of the corporation. This model is considered to be driven by “enlightened self-interest” (Drucker, 1984), such that the corporation undertakes philanthropy only if it is in its direct economic benefit to do so (Bock, Goldschmid, Millstein, & Scherer, 1984). For example, contributions may be used for community enhancement, under the argument that a livable community is good for business because when the standard of living is increased, product demand is increased. New corporate charity in Latin America is said to be largely motivated by the enlightened self-interest factor (Otis, 1977).

Philanthropy can also maximize profits is by reducing corporate income taxes. It is argued that the profit-maximizing effects of corporate philanthropy are evident in countries where charitable donations can be deducted from earnings (Galaskiewicz, 1985). But tax benefits may not be a sufficient explanation for corporate philanthropic behavior. For example, corporate donations increased sharply in the United States when the excess profits tax was imposed on companies in 1942 (Sharfman, 1994). But after the excess profits tax was repealed, donations declined only temporarily and resumed the levels observed when the tax was in force. Indeed, even in countries such as El Salvador where charitable donations are tax exempt, tax benefits may not explain philanthropic behavior. Tax collection is quite inefficient in El Salvador, and represented less than 13% of GDP in 1996 (U.S. Department of Commerce, 1996).

<u>The political and institutional power model of corporate philanthropy</u>

This model posits that firms engage in philanthropy to maximize benefits, but not in the form of an economic return on investment. Rather, the firm uses philanthropy to maximize its political return on investment. The firm does whatever it takes to protect its wider corporate environment but always with the shareholders' interests in mind (Neiheisel, 1994). Using this model, the goal of corporate philanthropy is to coopt, neutralize, or win over problematic actors in the political environment (Burt, 1983), and to preserve corporate autonomy by establishing private initiatives as an alternative to the growth or interference of government. Indeed, firms practice philanthropy to gain and hold power and legitimacy (Neiheisel, 1994) in the political and institutional sense. It may be quite obvious that firms try to build a positive corporate image by sponsoring high-profile, major community events. But less obvious, and perhaps more importantly, such sponsorship is beneficial because it keeps politicians, regulators, and the public at large beholden to the corporation.

## A HISTORY OF THE SALVADORAN PRIVATE SECTOR

The following discussion of the private business sector in El Salvador provides some historical context that may help explain contemporary philanthropic behavior of Salvadoran business organizations. From the late 19th century to the middle of the 20th century, Salvadoran business firms operated in a pre-industrial capitalist state (Baloyra, 1982), characterized by monopolized holdings of agricultural land. A small number of families made large fortunes, based principally on coffee, and some sugar and cotton. Around 1950 , immigrants began to settle in El Salvador and establish themselves in foreign trade, local wholesale and retail businesses (Aubey, 1969). What evolved has been called a liberal-oligarchic state (Baloyra, 1982), and it forced the landed oligarchy to share economic power with the new merchant faction. The result was the concentration of land, production, exports, finance, and political power that benefited those two groups alone at the exclusion of the majority of the population. The Salvadoran work force had very limited supplier power with both sectors, because they were landless, uneducated, and were not unionized (Norvell, 1995). This remains true today.

This monolith of power may have been effective for creating wealth during periods of protected markets and fair trade policies, particularly for the landed oligarchy whose wealth depended on valuable agricultural exports (Baloyra, 1982). Today, however, agriculture is less important, and industry and commerce are the two major sources of Salvadoran GDP (US Dept. of Commerce, 1996). But even for Salvadoran industrial and commercial firms, falling trade barriers and increased competition from foreign firms are threatening the local private sector and could lead to the decline of traditional Salvadoran business organizations.

The economic dominance of the Salvadoran business sector has traditionally translated into political dominance as well (Aubey, 1969; Neiheisel, 1994). But notably during and after the civil war of the 1980s, it lost legitimacy with both its internal population and the external international community (Russell, 1984). During the war, many private sector leaders were identified with the most conservative elements of the government which in the view of many national and international observers were responsible for the disappearance, torture, and murder of civilians. Although business leaders did not as a rule participate directly in these atrocities, neither did they call for the government to halt them or to investigate reports that they occurred. During the war, the private sector conducted business as usual, maintained cordiality with and supported the government, and turned a blind eye when unpleasantries occurred. By the late 1980s, however, the private sector realized that that if the war continued, the national economy and business as they knew it might be irretrievably damaged. The private sector began quietly urging the government to participate in peace negotiations with the FMLN rebels, if for no other reason but to salvage what was left of a sick economy.

By 1992, peace was negotiated and the war ended. By early 1997 the political organizations of the factions which were formerly at war with one another were sharing power in the Salvadoran legislative assembly and in mayorships across the country. The largest and most significant organization of the Salvadoran private sector is on record as strongly supporting political pluralism, within the framework of a modern, democratic, and neoliberal economic system (ANEP, 1996). And although the economy has recovered, or even rebounded, with a GDP growth of 6% in 1995 and 4.5% in 1996 plus an enviable single-digit inflation rate (US Department of Commerce, 1996), the Salvadoran business sector is struggling to regain its legitimacy with the people of El Salvador and with the international community. The ANEP, an association of thirty-six industry organizations that claim to unite over 2,000 Salvadoran business firms, is trying hard to convince the public that its member firms have been transformed and are indeed modern, forward-thinking, socially responsible organizational citizens. Salvadoran firms seem to know that to compete in the global economy, they must be perceived as serious, legitimate business organizations with modern management philosophies and techniques, and cannot be seen as plantation managers of a backwards banana republic.

## A MODEL OF SALVADORAN CORPORATE PHILANTHROPY

In the section below, I discuss two propositions that form the basis for a model of Salvadoran corporate philanthropy. The first proposition is that corporate philanthropy in El Salvador is couched in altruism and reflects personal interests and paternalistic attitudes of firm leaders. The second proposition posits that Salvadoran business firms that practice corporate philanthropy do so because they believe it increases their political legitimacy in the national and international community. These propositions suggest that corporate philanthropy by Salvadoran firms can be explained by a model that conjoins two current models of corporate philanthropy. The model in this paper suggests that Salvadoran corporate philanthropy enlarges the characteristics of the altruistic model (Useem, 1984) and the political legitimacy model (Neiheisel, 1994) to create a unique variation of the strategic use of philanthropy. By first couching philanthropy in altruistic terms, business leaders' motives for corporate philanthropy are lauded, rather than doubted as they might be if they were explained by the profit maximization model. This acceptance allows business leaders to practice philanthropy in paternalistic and individualistic ways. However, beside the showpiece of altruism stands a strategic objective to maximize the political currency of the company by using philanthropy to increase the firm's legitimacy as perceived by various stakeholder groups. This model is illustrated in Figure 1.

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Insert Figure 1 about here

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Evidence of corporate philanthropy in El Salvador

The following section is based on a seven-day field visit that I made to El Salvador in 1997. During this visit, I interviewed the executives of seven of the country's principal trade and business associations whose membership are Salvadoran firms. Other people interviewed included U.S. Embassy and Commerce officials, directors of Salvadoran private foundations, and university officials. I did not interview executives of individual businesses during the visit. Instead, I held discussions with association executives to gain a preliminary impression of the perceived extent and relevance of corporate philanthropy in the Salvadoran context.

The participation of the Salvadoran business sector in corporate philanthropy is a relatively recent phenomenon, and it is not practiced by the majority of business organizations. There is sympathy for and interest in the concept, however, and some officials predict that corporate philanthropy will increase (Chamber of Commerce, 1997). Corporate philanthropy is probably more pervasive in El Salvador than it is in most other Latin American countries (US Embassy, 1997). However, it is estimated that less than fifty very large national companies, many of which are in the banking industry, actively practice corporate philanthropy in El Salvador. It is only within the past fifteen years that these companies have created private philanthropic foundations to support causes such as education, hospitals, the elderly, women and children, churches, the environment, artists, and sports organizations.

In the first part of this section, I discuss the first component of the model of Salvadoran corporate philanthropy. I argue that the philanthropic activities of Salvadoran firms are framed by altruism, and reflect the individualistic interests and paternalistic attitudes of the leaders of the business firms that initiate them.

*Individualistic philanthropy*. The philanthropic activities of multinational corporations that operate in countries such as El Salvador may be characterized as strategic, clearly targeted, and linked to the overall objectives of the firm (Deresky, 1997: 504; FUSADES, 1997). In comparison, charitable contributions of Salvadoran companies tend to be more individualistic in nature. Corporate charity in this context is idiosyncratic and reactive, reflecting the interests of individual business leaders, according to a former Exxon executive and current director of a Salvadoran think tank (FUSADES, 1997). Salvadoran executives may support a pet project for an extended period of time, or provide one-time support to a random request for funds, without thought as to how such actions fit with the company's overall strategy.

While no overall strategy emerges for supporting social services through corporate philanthropy, Salvadoran companies will from time to time pool their resources and jointly support causes. Participation even at this level is likely to be individual, focusing on the efforts of the individual corporate leader, although it is often packaged to the public as an effort promoted by the company (ASI, 1997). Individual business leaders are beginning to serve on volunteer social service boards or not-for-profit foundation boards. The extent of their service tends to be limited to donations of time, however, rather than money (ASI, 1997).

*Paternalistic philanthropy*. Management styles in El Salvador and other Latin American countries are frequently typed as paternalistic (Deresky, 1997; Teagarden, Butler, & Von Glinow, 1992), and paternalism may be one explanation for corporate philanthropy in El Salvador. Paternalism in the workplace suggests that the boss is the *patron*, or father figure, whose role it is to take care of the workers by making occasional gestures of generosity to them. Examples of paternalistic corporate philanthropy might include the construction of soccer fields for employees on the factory site, and the distribution of holiday food baskets. This type of philanthropy is motivated by the leader's desire to win or keep the sympathy of the employees as well as the favor of the public at large (Chamber of Commerce, 1997).

One example of paternalistic corporate charity is the "social strengthening" program of the Salvadoran development foundation, called FUSADES. FUSADES' objective is to "promote, within a system of individual liberties, economic and social development to improve the living conditions for all Salvadorans" (FUSADES, 1995). Its social program has paternalistic undertones, to "assist communities in education, health, and nutrition projects" (FUSADES, 1995). The social effort is very minor compared with FUSADES' six major business development programs that include agricultural diversification, total quality management, export promotion, legal and economic research, and entrepreneurship (FUSADES, 1995).

The best known Salvadoran corporate charitable foundations are noted for their paternalistic style of philanthropy. They include the Meza Foundation, created by the Murray Meza family who owns the country's major brewery and bottling company; the Sigma Foundation, the Poma family's Salvadoran Foundation for health; FUNTER, a foundation that holds an annual telethon to benefits the handicapped; and the De Sola Foundation (US Agency for International Development, 1997).

Activities of the Salvadoran Rotary Club illustrate the combination of a highly individualistic approach to philanthropy, complemented by paternalistic gestures. Membership in the Salvadoran Rotary Club is exclusively individual, and not representative of the members' companies in any way, although the Rotary Club is an "extension of corporate philanthropy" (Rotary Club, 1997). Major Rotary Club projects include the Gift of Life program that helps young people who suffer from heart disease, a polio immunization campaign, a literacy campaign that raised money for books and supplies, and tuition scholarships to help young teachers finish their teaching degrees (Rotary Club, 1997).

These individualistic and paternalistic efforts of the Salvadoran business sector are promoted publicly as benevolent deeds that are good for those less fortunate, and thus good for society as a whole. Donors avoid acknowledging that the philanthropic acts may provide some economic or political benefit to the firm. On the contrary, they position their efforts as unselfish acts, not self-interested acts, that are completely motivated by a desire to benefit others. This suggests that philanthropy is motivated in part by altruism, or that philanthropists want their acts to be perceived as altruistically motivated. Salvadoran corporate philanthropic activities are generally welfare initiatives that provide short-term benefits to disadvantaged populations, and few provide medium- or long-term solutions to the social problems they address. Based on this discussion I posit the following:

*Proposition 1: Corporate philanthropy by Salvadoran firms in El Salvador is motivated by altruism, and reflects individual interests and paternalistic attitudes of the firms' leaders*

In the next section, I discuss the second component of the model, the political legitimacy component. I argue that Salvadoran corporate philanthropists practice philanthropy because it is good for business, and because they believe it increases their political legitimacy in the national and international community.

*Philanthropy is good for business*. FUSADES was created by the private sector to promote socio-economic development throughout the country. FUSADES takes credit for forming many private foundations at the local community level that have "begun to take responsibility for social needs" (FUSADES, 1995). The impetus for the creation of these non-profit foundations is "a level of consciousness achieved by the businessperson to share with the less fortunate in the country" (FUSADES, 1997). Some business leaders admit that Salvadoran companies cannot be competitive even in the national marketplace if consumer incomes are low and the quality of life of much of the population is substandard. They are beginning to recognize that national competitive advantage is based on strong local demand conditions which emerge from a prosperous local population (Porter, 1990). Thus, corporate philanthropy is an attempt to improve the standard of living of people of lesser means.

Examples that illustrate how corporate philanthropy is driven by the desire to benefit the business include the efforts of the Poma family. The Poma family businesses are diversified and large by Salvadoran standards. The Poma family owns the major automobile dealerships in the country, the auto service and parts companies, plus several large retail establishments. The Poma's are also leaders in corporate philanthropy, and have created several not for profit foundations to support health and education projects (U.S. Agency for International Development, 1997; Chamber of Commerce, 1997).

Perhaps the largest philanthropic project of the Poma family is a private, not for profit university that teaches business administration, called ESEN. The Poma Foundation, together with four other firms -- the Salvadoran airline, a major textile company, the cement company, and a large Salvadoran printing company -- donated significant sums of money to create the ESEN "to respond to deficiencies in the training of business students at the undergraduate level" (ESEN, 1997). Dissatisfied with the way business students were being prepared by the country's state universities, ESEN was created to provide a reliable supply of well-trained people for the business community. ESEN does not intend to be an elite institution, since 62% of the students receive full tuition scholarships. In addition, the four year program that includes a one year internship stresses business ethics which is taught by local business people (ESEN, 1997). This focus on ethics reflects the view that Salvadoran business leaders have "changed since the end of the war," now recognizing the need to train a new, modern, and ethically responsible business professional.

The Tesak family's philanthropy provides another example. Pablo Tesak is the owner of the largest snack food manufacturer in Central America. A 1977 strike at the Salvadoran company resulted in one death and several wounded, including Tesak. The tragedy may have transformed the company, which has become a model of enlightened self-interest. Tesak explains, "If children can't do better than their parents, there's going to be a social conflict. Everyone should have the chance to progress" (Gruson, 1990). Tesak's company is now noted for its innovative employee benefits, including a school and literacy program, pharmacy, a commissary, some profit sharing, and loan program for employees and relatives of employees (Gruson, 1990). The idea behind these policies is to benefit employee's family members as well as the employees themselves, which will result in loyal and productive workers (Long, 1997) with greater consumer buying power. Tesak claims that fellow Salvadoran business leaders are beginning to understand that they can earn greater profits when the poor earn more and when the economy is strong (Gruson, 1990).

Other noteworthy companies include the Salvadoran airline company, which has the reputation for treating its workers well and making significant charitable donations to many causes, including the ESEN university discussed above. Some of the offshore textile companies in El Salvador, known as the *maquilas*, claim to support the local communities where the plants are located by building school classrooms, health centers, markets, day care centers, town halls, and providing garbage trucks and medicines to the clinic (ASIC, 1997). Although the *maquila* plants are generally not owned by local business people, their corporate philanthropic behavior is noted because it follows the "philanthropy is good for business" model.

*Philanthropy as a way to increase political legitimacy*. The ANEP's position on the social commitment of the firm illustrates the private sector's intent to use corporate charity to enhance its legitimacy. In a recent public manifesto, the ANEP stated that its purpose is to unite "all national sectors to work together in the construction of a new society, that strives for permanent progress for all, within a framework of social peace and true democracy, for the benefit of future generations" (ANEP, 1996). ANEP believes that the deterioration of social and economic conditions for the majority of Salvadorans must be reversed, yet it considers the government is primarily responsible for this reversal. In a recent declaration, the executive director of ANEP suggests that the private sector has a duty to help eliminate poverty, in partnership with the public sector. A more careful reading, however, reveals that ANEP believes that the private sector's responsibility is limited to generating jobs, paying taxes, competing fairly, and making profits (Vidal, 1996). Mentioned later are the efforts of some Salvadoran firms to provide health care and training to employees, as extraordinary private sector efforts to meet its social responsibility.

ANEP says it would like to make corporate giving a part of the private sector's culture (ANEP, 1997). ANEP believes that although corporate philanthropy currently exists in El Salvador, it is very limited and it lacks the notoriety that it merits (ANEP, 1997). Specifically, ANEP's goal is to form a comprehensive not for profit foundation to support social projects, but it intends to fund it with donations from international organizations, not with corporate donations. These examples demonstrate how the private sector may use the framework of corporate social responsibility and philanthropy to position itself as an exemplary citizen and increase its legitimacy to national and international constituencies. But if one scratches below the surface, there is little evidence that the private sector is committed to social responsibility beyond its economic domain, and there is no evidence that it extends to the discretionary domain (Wood, 1991). Based on this discussion, I posit the following:

*Proposition 2: Salvadoran firms that practice corporate philanthropy do so because they perceive that it is good for business, and that it increases their political legitimacy in the national and international community.*

## DISCUSSION AND FUTURE DIRECTIONS

This paper proposed a model of corporate philanthropy in contemporary El Salvador. I argued that the corporate philanthropic activities by Salvadoran firms combines the characteristics of the altruistic and strategic positioning models of philanthropy. On the one hand, corporate philanthropy in El Salvador occurs so that it will be perceived as an altruistic effort, and it reflects the highly personal interests and paternalistic attitudes of the leaders of Salvadoran firms. In addition to these altruistic drivers, an equally compelling motive for corporate giving is the desire of Salvadoran firms to enlarge the scope of their political legitimacy before national and international constituencies.

These are not competing propositions. In fact, they can comfortably co-exist within a model of corporate philanthropy. Krebs (1991) notes that "virtually all helping behaviors are aimed at enhancing the welfare of both the self and others." Similarly, Batson & Shaw (1991) argue that while a single motive for a single action cannot be both altruistic and egoistic, various motives for that single action can exist simultaneously. In the case of Salvadoran corporate philanthropy, however, the altruistic motive is the one that donors most strenuously promote. The political legitimacy motive is not generally acknowledged, making it less obvious and apparent.

The model offered in this paper, and the propositions that attempt to explain it, may be tested to determine if there is empirical support for this explanation of Salvadoran corporate philanthropic behavior. Executives could be surveyed to determine the level and extent of philanthropic activity in their individual firms. Questions could be asked to determine to what extent corporate philanthropy is driven by altruistic motives and/or political legitimacy concerns, and if these activities represent individual interests of firm leaders and are paternalistic in nature. Access to the leaders of these firms may be possible through the contacts I established with association executives during the field study.. The directors of the two largest associations offered to support such a study and to provide their mailing lists. Surveys would best be conducted by personal interviews, given the lack of reliability of the Salvadoran postal service and the likely reluctance of business leaders to respond to a "cold call" survey. It would be very challenging to collect any sort of financial data, including sales data and amounts of philanthropic contributions, since most Salvadoran firms are privately held and principals may be reluctant to divulge this information.

Another interesting research question related to the model proposed in this paper is whether or not corporate philanthropy in El Salvador will increase, decrease, or remain the same over time. This question is important for two reasons. First, pressing economic inequities and deteriorating social conditions suggest that the public sector will tap the private sector for resources to help meet the needs of the Salvadoran population.. Second, some authors have suggested that corporate philanthropy may be a proxy for the degree to which a business organization embraces a modern, stakeholder model of the firm (Pasquero, 1991; Smith, 1994; Useem, 1988). The comments by the new mayor of San Salvador, quoted at the beginning of this paper, suggest that a new civic partnership between the public and the private sectors must be forged to guarantee growth and prosperity for Salvador's citizens.

It would be useful to study, for example, the effects of global competition on the philanthropic efforts of Salvadoran firms. An initial observation of the structure of industry in El Salvador suggests that there may be a positive correlation between the level of a firm's involvement in corporate philanthropy and the level of market share held by that firm in its industry. Firms that tend to emerge as the most active and generous corporate contributors are also firms that are dominant players in their industries, either as oligopolists or near monopolists. Therefore, some observers predict that the limited corporate philanthropy that exists in El Salvador will decrease as trade policies become increasingly liberal. This will occur because the entry of strong foreign competitors from Mexico, the United States , and other countries will threaten the monopolistic position of many Salvadoran firms, putting an additional squeeze on their profits. The end result may be fewer donations to charitable causes, and a decline of corporate philanthropic behavior.

These same observers tend to agree that the Salvadoran private sector desires to *appear* to be legitimate, modern business organizations. But they doubt that Salvadoran companies truly want to *become* modern business organizations that embrace the stakeholder model (Roberts & King, 1989). As soon as their dominant market position begins to erode -- independent of past or future profit levels -- they predict that philanthropy will decrease.

A comment by the executive director of one of El Salvador's industrial associations may be illustrative. He emphasized that the role of the private sector in the country's social development is "only and exclusively to be efficient and to create jobs." In fact, he noted that the private sector should not dedicate resources to improving the social situation other than trying to improve the productive capability of the nation. Indeed, the responsibility for resolving social problems rests with the Salvadoran government and international donor organizations (ASI, 1997).

Philanthropy exists in a very unique and rudimentary form in El Salvador, and its presence raises several interesting research questions about the future of the Salvadoran private sector. Further research on corporate philanthropy among Salvadoran firms may shed important light on how national firms in developing countries are adapting to local pressures to participate in a civic, as well as a commercial, role in their communities. Additionally, the study of philanthropy in this environment may inform us how these firms are adjusting to global competition that may threaten their traditional market share, profits, and dominant position in their own national markets.

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