

NAVIGATING PHILANTHROPY ALLOCATION AMIDST CHANGE: BALANCING INSTITUTIONAL AND FIRM-LEVEL DRIVERS OF GIVING

Octavio Augusto de Barros (barros@hec.fr)
HEC-Paris

ABSTRACT

This paper assesses the interplay between an institutional-level policy aimed at fostering inclusion through corporate philanthropic giving and the firm-level attributes that may affect strategic responses to this transition. Specifically, I analyze the effects of a policy designed to substantially reduce search costs for firms seeking sociocultural projects to support and explore how firm performance in the consumer market and ownership form influence investment decisions, with a particular focus on the allocation of resources to underserved localities. I hypothesize that reduced search costs enhance the inclusion of underserved groups compared to adequately served regions, as firms, motivated by either instrumental or normative reasons, find increased incentives to engage with these previously overlooked communities. Additionally, I suggest that high-performing firms and state-owned enterprises (SOEs) utilize this transition to promote greater value creation by tapping into these regions. I test these hypotheses within the Brazilian cultural sector, focusing on a policy implemented in 2017 intended to augment and equitably distribute philanthropic contributions. I analyze philanthropic giving of 148 public companies towards 5,616 cultural projects across the country from 2011 to 2021, yielding a dataset of 7,916 observations. Contrary to my initial hypothesis, I find no significant effect of the policy in attracting new investments or redirecting them to projects in underserved areas. However, a deeper analysis of firm-level attributes in response to the institutional change reveals that both high-performing firms (compared to low-performing ones) and SOEs (compared to private-owned firms) have increased their investments in these regions post-policy. High performers capitalize on their enhanced resources and capabilities to penetrate new markets and potentially increase private value creation, while SOEs align their philanthropic efforts with their mandate to foster social value creation. Despite these shifts, the overall market equilibrium remains largely unchanged due to competitive dynamics: other competitors take advantage of the transition to secure their share of the philanthropic market, preventing a comprehensive shift toward a more equitable distribution. Overall, this study underscores the importance of evaluating firm-level responses to properly understand how policies aimed at generating social value can effectively meet their intended inclusion goals of promoting inclusion.

Keywords: corporate philanthropy, institutional change, public value creation, policy, CSR

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1. INTRODUCTION

The literature in strategy extensively examines how firms make decisions about resource allocation through corporate philanthropy (Gatignon & Bode, 2023; Gautier & Pache, 2015; Luo et al., 2018; Marquis & Lee, 2013; Marquis & Tilcsik, 2016; Seo et al., 2021; Tilcsik & Marquis, 2013; Wang et al., 2008) as part of their corporate social responsibility (CSR) strategies (Barnett, 2007; Dorobantu, Kaul, et al., 2017; Eccles et al., 2014; Flammer, 2015), and their actions towards the creation of public value (Cabral et al., 2019; Kaul & Luo, 2018; Lazzarini, 2020; Luo & Kaul, 2019; McGahan et al., 2013). Extant research adopts either a firm-level approach, exploring how philanthropic and CSR investments stem from the pursuit of private gains (Barney, 2018; Bénabou & Tirole, 2010; Bode & Singh, 2018; Burbano, 2016; Wang & Qian, 2011) and from firms' altruistic purpose (Carroll, 1999; Kaplan, 2023; McGahan, 2023); or an institutional perspective, analyzing how different institutional environments produce distinct incentives and consequentially shape corporate giving and CSR strategies across various organizational contexts (Ballesteros & Gatignon, 2019; Dorobantu, Kaul, et al., 2017; Gatignon et al., 2023; Ioannou & Serafeim, 2019; Jain et al., 2017).

However, while the literature on corporate philanthropy acknowledges the interplay between firm action and the institutional framework, and the potential consequences of this interface on firm performance (Ballesteros & Gatignon, 2019; Breeze et al., 2011; Flammer & Ioannou, 2021; Marquis & Battilana, 2009; Marquis & Tilcsik, 2016), there remains a crucial and partly unfulfilled effort to analyze the outcomes of these interactions from the perspective of value allocation to distinct stakeholders –i.e., rather than focusing on the outcomes over private value creation, actually considering how changes in the institutional landscape affect who benefits from corporate philanthropy, and how different groups are prioritized (Gautier & Pache, 2015; Klein et al., 2019; Luo & Kaul, 2019). Philanthropic actions are inherently dynamic and complex, involving intricate relationships among investors, investees, and beneficiaries. Depending on their attributes

and preferences, these interactions can significantly impact the creation of social value from investments (Berger et al., 2004; Chatain & Plaksenkova, 2019; Feilhauer & Hahn, 2021). Therefore, analyzing the interplay between institutional-level transitions aimed at improving value distribution to a broader set of actors (Candeias & Sarkar, 2024; Caulfield & Lynn, 2024), and firm-level strategies in selecting beneficiaries of their prosocial investments can enhance our comprehension of how firms' participation within the philanthropic ecosystems contribute to the allocation of value and to address pressing social issues (Gautier & Pache, 2015; Hornstein & Zhao, 2018; Wickert, 2021).

In this paper, I advance this topic by assessing the impact of an institutional-level determinant of corporate philanthropy, in the form of a public policy implemented by the Brazilian government with the aim of increasing the scale and the equitable distribution of philanthropic investments in the cultural sector. Specifically, the policy involved the introduction of a public, online system that provided extensive information on projects seeking funding, including detailed budget breakdowns, schedules, descriptions, activity plans, technical specifications, marketing materials, counterparties, and legal documentation (Brasil, 2017). As a result, the system substantially reduced search, selection, and monitoring costs for firms interested in investing in cultural projects through deductible donations. With the policy, the government expected to attract new sponsors and promote a more balanced distribution of philanthropic contributions across various localities, shifting the focus from heavily commercialized areas towards the inclusion of regions lacking cultural equipment and initiatives.

Using data from a series of public sources, I analyze how the introduction of this policy affected the corporate philanthropic giving decisions of 148 public companies towards 5,616 cultural projects dispersed across the country from 2011 to 2021, with a particular emphasis on differences between adequately served and underserved localities in terms of access to cultural equipment. The final sample comprises 7,916 observations, encompassing 334 Brazilian municipalities with projects that received any funding from the firms in the sample during the analyzed time series. Drawing on insights from the literature on corporate philanthropic investment and institutional change (Ballesteros & Magelssen, 2022; Dorobantu, Kaul, et al., 2017; Gatignon & Bode, 2023; Luo et al., 2018; Marquis & Tilcsik, 2016; Seo et al., 2021;

Tilcsik & Marquis, 2013), I assess the consequences of the policy on two levels: first, at the institutional level, I examine whether it allowed for the inclusion of previously disregarded municipalities with low levels of access to culture. Second, given the availability of public information for the firms in the sample, I investigate how firm-level attributes interacted with the introduction of the policy (Mahoney et al., 2009).

I hypothesize that the policy's reduction in search and matching costs leads to increased philanthropic giving to underserved localities compared to commercially concentrated ones. From an instrumental perspective, this effect is likely driven by firms seeking to engage new stakeholders from previously overlooked areas at lower costs, as well as leveraging their giving to pressing issues to obtain reputational gains with influential stakeholders (Bénabou & Tirole, 2010; Elfenbein & McManus, 2010; Seo et al., 2021). For instance, firms may boost employee motivation by focusing on critical issues, thus increasing private value creation and appropriation (Bode et al., 2015). Alternatively, from an altruistic perspective, firms may choose to relocate giving to pressing causes and localities, so as to increase the cost-efficiency of the investments in terms of social value creation (Gatignon & Bode, 2023; Kaul & Luo, 2018). Contrary to this hypothesis, however, I find no significant effect of the policy in attracting new investments or shifting them towards projects from underserved localities. Therefore, from an institutional perspective, the policy apparently did not achieve its main goal of promoting equitable philanthropic distribution across the country.

Upon examining how firm-level attributes interact with the institutional transition, a more nuanced picture emerges: while there is no significant aggregate effect on reallocating resources to projects from underserved localities, both high-performance firms in the consumers' market (compared to low-performance ones) and state-owned enterprises (compared to private firms) increase their investments in these initiatives following the policy change. High performers leverage their enhanced resource availability, as well as their improved capabilities to absorb new information from the external market to swiftly expand into new localities and engage a broader range of stakeholders, maintaining a differentiated strategy from their competitors (Andersén, 2015; Dasgupta et al., 2009; Makadok, 1998; Nardi et al., 2022; Wiggins & Ruefli, 2005). Meanwhile, low performers tend to replicate previous strategies by entering concentrated

markets where reaching a larger number of stakeholders is more cost-effective (Greve, 1998; Rashid & Said, 2024). A similar dynamic can be observed in the case of state-owned enterprises (SOEs), which use the policy to bolster investments in projects from underserved areas, aligning with their mandate to promote social value creation besides profits (Dixit, 2002; Inoue, 2020; Musacchio et al., 2015). In contrast, private organizations, driven primarily by private value appropriation, prioritize concentrated markets, taking advantage of the policy to strengthen their presence in such localities. On balance, market equilibrium remains largely unchanged due to competitive dynamics: while high performers and SOEs increase their focus on underserved localities, competitors seize the opportunity to capture the remaining share of the philanthropic market, hindering a complete ecosystem shift towards more equitable distribution.

The contributions of this paper are twofold. First, I engage with the literature on corporate philanthropy that analyzes the consequences of institutional change to the value creation and allocation resulting from firms' philanthropic giving (Ballesteros & Magelssen, 2022; Gatignon & Bode, 2023; Husted & de Jesus Salazar, 2006; Marquis & Tilcsik, 2016; Tilcsik & Marquis, 2013; Wang & Qian, 2011). By shifting focus from the effects of unforeseen institutional changes to examining the impact of deliberate policies aimed at reshaping incentives within the corporate philanthropic sector, I am able to show that, despite the policy's null aggregate effects, firm-level attributes such as performance level and ownership play pivotal roles in how firms adapt strategies to enhance value creation relative to their competitors (Kaul & Luo, 2018; Marquis & Lee, 2013). Second, I contribute to the broader literature on CSR that focuses on value allocation to distinct stakeholder groups and the inclusive potential these actions possess (Klein et al., 2019; Mahoney et al., 2009; Wickert, 2021). Rather than focusing on the impact of CSR on firm performance, I explore firms' responses to policy interventions and their consequences on the allocation of philanthropic giving to projects from underserved localities (Boulongne et al., 2024; Durand & Huysentruyt, 2022; Pongeluppe, 2022; Teodorovicz et al., 2023). Overall, the study reveals that examining firm-level responses is crucial to understanding how policies intended to generate social value can be not only effective but also inclusive in relation to their original objectives.

2. THEORY AND HYPOTHESES

The literature on Corporate Philanthropy has gained increasing relevance in the field of business strategy (Gatignon & Bode, 2023; Gautier & Pache, 2015; Luo et al., 2018; Marquis & Lee, 2013; Marquis & Tilcsik, 2016; Seo et al., 2021; Tilcsik & Marquis, 2013; Wang et al., 2008), particularly within the broader domain of corporate social responsibility (CSR) strategies (Barnett, 2007; Dorobantu, Kaul, et al., 2017; Eccles et al., 2014; Flammer, 2015). Early studies examine how firms strategically utilize philanthropic giving to enhance private value appropriation (Bénabou & Tirole, 2010; Lev et al., 2010; Wang et al., 2008), thus assuming an instrumental perspective. This approach suggests that firms prioritize philanthropic causes and initiatives that are salient to their most influential stakeholders, with the aim of generating benefits for these groups that can subsequently be leveraged by the firm to enhance its performance (Bosse et al., 2009; Dorobantu, Henisz, et al., 2017; Freeman et al., 2010; Mitchell et al., 1997).

Private benefits derived from corporate philanthropy stem from strategic choices, such as advertising CSR action toward influential customers (Wang & Qian, 2011), safeguarding reputation against future corporate social irresponsibility (Brammer & Millington, 2005; Godfrey, 2005; Luo et al., 2018), and diversifying investments to encompass a broader array of stakeholders (Seo et al., 2021). In that sense, various stakeholders beyond the direct beneficiaries of corporate giving, but who actually care about the targeted causes, may influence a firm's ability to capitalize on these investments, including customers supportive of charitable actions (Elfenbein & McManus, 2010; Fosfuri et al., 2015; Lev et al., 2010), employees who increase their motivation in the face of firm CSR (Bode et al., 2015), regulators responding to sociopolitical legitimacy gained from philanthropy (Gatignon & Bode, 2023; Wang & Qian, 2011), and the community of beneficiaries itself (Hornstein & Zhao, 2018; Muller & Kräussl, 2011).

An alternative and more recent stream from the literature on corporate philanthropy emphasizes value creation in the public interest (Cabral et al., 2019; Luo & Kaul, 2019; McGahan et al., 2013), such that firms deploy their CSR strategies in the pursuit of social value creation rather than ultimately targeting private benefits. This approach can take two main forms: an altruistic perspective (Carroll, 1999; Kaplan,

2023; McGahan, 2023), where firms prioritize maximizing social value by addressing the most critical issues and localities; or a comparative efficiency lens (Kaul & Luo, 2018; Lazzarini, 2020), in which firms focus on areas where they can make the most significant contributions compared to other organizations and actors. In both scenarios, philanthropic efforts are directed towards alleviating pressing needs, such that firm action is largely influenced by the demands of communities and beneficiaries (Marquis & Tilcsik, 2016), as well as by institutional partners such as local governments and NGOs who are committed to social value creation (Ballesteros & Magelssen, 2022; Gatignon & Bode, 2023).

Therefore, when firms decide on their corporate philanthropic investments, they typically consider various factors related to the potential of private and public value creation of their actions. Among those are social causes, geographical locations, implementation methods (non-profit, public intervention, etc.), resource availability, portfolio size, and owners' personal preferences (Oehlsen, 2024). Of particular importance is the sensitivity of the targeted audience to these investments — essentially, how underserved the community is regarding the focal cause. For firms pursuing altruistic motives, approaching underserved causes or localities may be a way of enhancing the potential of transformation stemming from the investments, while for those more aligned with an instrumental reasoning, engaging with underserved groups may require adaptations to the current strategy (Boulongne et al., 2024; Durand & Huysentruyt, 2022; Pongeluppe, 2022; Teodorovicz et al., 2023). This adaptability is critical not only for effectively reaching these populations and ensuring the viability of operations but also for building trust and legitimacy with local stakeholders to foster the creation of social benefits that extend beyond mere profitability (Dorobantu & Odziemkowska, 2017; Flammer, 2013).

However, the decision on the amount and allocation of resources within a philanthropic portfolio usually precedes direct engagement with the community, which typically occurs post-investment. At this early stage, firms consider the expected utility of their giving, which integrates both preferences and a cost-benefit analysis of available options and potential outcomes, regardless of whether they are pursuing private or social value creation (Choi et al., 2023; Lev et al., 2010). This analysis encompasses not only private benefits like economic profits but also non-pecuniary gains such as enhanced reputation, the potential price

premium associated with CSR, or increased attractiveness to high-skilled workers (Burbano, 2016; Flammer, 2013; Nardi, 2022). Then, for institutional changes to effectively influence the aggregate amount and distribution of philanthropic giving, they must be able to either reshape firms' preferences or alter the cost-benefit relationship associated with investment opportunities. For example, environmental policies that impose emissions standards directly impact firms' cost-benefit assessments by internalizing environmental costs (Husted & de Jesus Salazar, 2006), while shifts in issue salience from the perspective of the stakeholders can alter societal norms and thereby influence firms' preferences regarding which causes to support (Mohliver et al., 2023).

2.1 Institutional change, inclusive policies and the consequences to underserved groups

CSR action, whether driven by private incentives or aimed at social value creation, is notably strategic and significantly influenced by changes in the institutional environment (Ballesteros & Gatignon, 2019; Dorobantu, Kaul, et al., 2017; Gatignon et al., 2023; Ioannou & Serafeim, 2019; Jain et al., 2017), and corporate philanthropy follows the same pattern (Husted & de Jesus Salazar, 2006; Tilcsik & Marquis, 2013). Philanthropic action involves intricate relationships among investors, beneficiaries, and partners that can profoundly impact the social value accruing from these investments (Berger et al., 2004; Chatain & Plaksenkova, 2019; Feilhauer & Hahn, 2021). As a result, institutional transitions that modify issue salience, or alter the incentive structures of any of those groups may require firms to adapt their strategies accordingly, thus affecting the trajectory of philanthropic giving (Marquis & Battilana, 2009; Marquis & Tilcsik, 2016). Hence, understanding the interplay between institutional transitions and firm-level actions is essential for properly identifying the nuances within philanthropic ecosystems, where policy changes often play a crucial role in redirecting firms' attention towards societal goals valued by a broader set of stakeholders, highlighting the dynamic nature of philanthropic strategies in response to evolving societal and regulatory landscapes (Candeias & Sarkar, 2024; Caulfield & Lynn, 2024; Gupta et al., 2024).

While existing literature on corporate philanthropy acknowledges the interplay between philanthropic action and the institutional framework, and the consequences to firm performance, the

potential of those investments to affect the distribution of outcomes beyond profits remains to be better understood. In that sense, it is important to assume an issue of distribution perspective –rather than of an issue of allocation (Arrow, 1985; Buchanan, 1968; Luo & Kaul, 2019)— to analyze how institutional changes influence philanthropic giving, particularly in terms of creating value in the public interest. This perspective emphasizes how resources are distributed with an increased focus on inclusion, observing who gets what from such investments, rather than prioritizing private value appropriation (Berrone et al., 2016; Gaignon & Bode, 2023; Klein et al., 2019; Mahoney et al., 2009; Wickert, 2021).

In the present paper, I adopt an issue of distribution perspective to analyze the outcomes of a policy aimed at promoting inclusion by encouraging firms to increase their overall philanthropic contributions and allocate more funding to underserved localities. Specifically, the policy attenuates market friction in the philanthropic market –i.e., it lowers search and matching costs for firms seeking socio-cultural initiatives to invest in by providing accurate and readily available information from the supply side. In parallel, a marketing campaign promotes a clear message encouraging firms to enhance their giving to underserved regions rather than concentrating resources solely on commercial areas¹. As a result, the policy generates cost savings and provides guidance to firms on how to allocate resources effectively to maximize the impact of their giving, thus altering the comparative attractiveness of underserved regions from a cost-benefit perspective (Gupta et al., 2024). Figure A1 in the Appendix illustrates the potential cost savings across the entire philanthropic giving timeline, including improved ex-ante spending efficiency on search and selection processes through easier initial searches and less costly prioritization of initiatives, as well as potential reductions in ex-post monitoring costs due to clearer identification of investee quality during contracting, thereby facilitating adjustments in firms’ monitoring strategies (Akerlof, 1978; Milgrom & Roberts, 1982; Seamans, 2013).

¹ For a detailed description of the policy’s goals and implementation, please refer to the section on Empirical Context.

2.2 Baseline hypothesis: policy effectiveness

At the baseline, I anticipate an increase in corporate philanthropic giving following the introduction of the policy, generating a more equitable distribution of giving between underserved regions and more commercially active areas. This effect can be expected based on any of the current four main streams of literature on corporate philanthropy within business strategy: instrumental, altruistic, comparative efficiency, and institutional approaches (Gatignon & Bode, 2023). From an instrumental perspective, firms responding to this institutional change will capitalize on reduced information acquisition costs to expand their portfolios, both in terms of size and diversity (Bénabou & Tirole, 2010). This approach can enhance their reputation among influential stakeholders by bolstering support for current causes (Bode et al., 2015; Bosse et al., 2009; Hornstein & Zhao, 2018; Wang & Qian, 2011) and reaching a broader audience through diversified investments that tap into new markets (Elfenbein & McManus, 2010; Seo et al., 2021), potentially including underserved regions previously overlooked due to higher access costs and greater risks of misuse (Dorobantu, Kaul, et al., 2017; Pongeluppe, 2022). This focus may also contribute to a differentiation in CSR strategy compared to industry peers, positioning firms uniquely with key stakeholders and thereby enhancing their market value (Nardi et al., 2022).

Alternatively, both comparative efficiency and altruistic approaches suggest that firms should prioritize projects with the greatest potential for social value creation—that is, they should enhance their focus on inclusion—differing only in their methods of achieving this goal: comparative efficiency advocates focusing on social causes aligned with core business activities to leverage existing firm capabilities (Kaul & Luo, 2018), while the altruistic approach prioritizes addressing the most urgent issues or underserved localities to maximize positive impact from supported initiatives (Carroll, 1999). Under both perspectives, then, firms facing a policy that reduces search costs in the philanthropic market are likely to increase their philanthropic contributions, particularly directing attention to underserved regions where investments can have the greatest potential for positive effects (Gatignon & Bode, 2023). From a purely institutional standpoint, external pressures from the market and other institutional actors, including government entities, are expected to influence firm CSR decisions (Ballesteros & Magelssen, 2022;

Brammer & Millington, 2005; DiMaggio & Powell, 1983; Marquis & Tilcsik, 2016). Given that the policy in question does not impose new costs on firms and assuming a reaction of at least the most instrumental competitors in the market towards increasing philanthropic investments, it is likely that external pressures also encourage firms to expand their overall giving post-policy. Additionally, although there is no clear theoretical mechanism within the institutional perspective suggesting a particular focus on underserved localities, firms may choose to align their philanthropic efforts with the broader goals of the policy, which in this case directly encompasses these regions (Gupta et al., 2024).

Combined, these mechanisms suggest that a policy aimed at reducing search costs in the corporate philanthropic market leads to an increase in giving by firms, potentially also contributing to the allocation of a greater share to underserved localities compared to more economically active areas. This motivates the following hypothesis:

Hypothesis 1: In response to a policy that reduces search costs in the philanthropic market, firms increase their philanthropic giving to projects from underserved regions compared to adequately served regions.

2.3 Heterogeneous effects: the roles of performance and ownership form

Institutional transitions have the potential to significantly impact CSR strategies, yet the effects of these shifts vary widely depending on market- and firm-specific characteristics (Gatignon & Bode, 2023; Gatignon et al., 2023; Luo et al., 2017; Marquis & Tilcsik, 2016). Distinct attributes such as market structure, community relationships, preferences toward social value creation, and financial performance interact with institutional changes, shaping firms' strategic responses and resulting in diverse outcomes in terms of social value creation (Ballesteros & Gatignon, 2019; Ballesteros & Magelssen, 2022; Useem, 1988). In that sense, I argue that both a firm's performance relative to competitors in the same industry and its ownership structure—whether private and for-profit or state-owned—play pivotal roles in determining post-institutional policy philanthropic contributions. Given the inherent competition within markets, I adopt a comparative approach to examine how high and low-performance firms are likely to respond following

policy implementation. Additionally, I employ a comparative governance approach to analyze differences in outcomes between organizational forms, drawing from the tradition of the literature that explores how different governance structures pursue the creation of value in the public interest (Cabral et al., 2013; Kivleniece & Quelin, 2012; Lazzarini, 2020; Luo & Kaul, 2019).

2.3.1 Performance relative to competitors

Firms' CSR strategies are significantly influenced by competitors' decisions (Dupire & M'Zali, 2018; Kaul & Luo, 2018; Lee & Faff, 2009; Mohliver et al., 2023), and there is evidence that philanthropic giving follows a similar pattern (Choi et al., 2023; Husted & de Jesus Salazar, 2006; Marquis & Tilcsik, 2016). The nature of this influence varies depending on the firm's performance levels. For instance, high-performance firms typically adopt differentiated strategies compared to their competitors, stemming from their unique set of capabilities (Barney, 1991), their ability to promptly seize new market opportunities resulting from superior resource endowments (Makadok, 1998), and their increased absorptive capacity towards knowledge available in the external environment (Salomon & Jin, 2010). These capabilities enable high performers to innovate closer to the frontier and develop novel solutions (Andersén, 2015; Dasgupta et al., 2009; Zahra et al., 2007), generating a sequence of market advantages that puts them in a leading position over time compared to rivals, even when faced with variations in the external environment (Brown & Eisenhardt, 1998; Wiggins & Ruefli, 2005). In contrast, low-performance firms often face resource and capability constraints relative to their competitors (Tang et al., 2019), and thus may opt to mimic the actions of leading firms in an attempt to mitigate uncertainty, enhance learning of best practices, and attenuate performance pressures (Greve, 1998; Rashid & Said, 2024).

Given that performance is mainly driven by the pursuit of private benefits over the creation of public value beyond profits, it is anticipated that high performers adhere more closely to an instrumental approach rather than altruistic or comparative efficiency views (Kaul & Luo, 2018). Therefore, these firms structure their CSR strategies to maximize outreach to a broad range of stakeholders, enhancing their gains in terms of visibility and reputation (Elfenbein & McManus, 2010; Seo et al., 2021). Also, they prioritize

strategies that differentiate them from competitors, aiming for a unique market position that can be leveraged with influential investors (Nardi et al., 2022). This strategic positioning is crucial due to the heightened pressures faced by high-performance firms compared to their rivals, which include managing higher expectations and scrutiny from influential stakeholders (Adams & Hardwick, 1998; Wang & Qian, 2011).

As a result, when faced with an institutional transition that reduces search costs in philanthropic markets, high performers utilize their capabilities to swiftly adapt their strategies to capitalize on advantages not yet perceived by competitors. These strategic adaptations, however, may not necessarily involve increasing the overall amount of philanthropic giving but rather reallocating their portfolio (Seo et al., 2021), since low performers, who were previously aware of high performers' investment strategies but hesitant to follow due to uncertainty, can now exploit the institutional shift to mimic these behaviors at minimal information costs and reach the same customer base. Arguably, low performers' giving after the institutional shock are likely to focus on more concentrated commercial markets where the cost-effectiveness in terms of the number of stakeholders reached is higher. In contrast, by leveraging their enhanced resources and capabilities, high-performance firms may choose to enter new markets, including underserved localities previously overlooked, to both engage with new stakeholders and signal their distinctive strategy to current ones (Gatignon & Bode, 2023). This motivates the following hypothesis:

Hypothesis 2: In response to a policy that reduces search costs in the philanthropic market, high-performance firms experience a larger increase in their philanthropic giving to projects from underserved regions compared to low-performance firms.

2.3.2 Ownership form

Distinct ownership forms respond differently to the effects of institutional policies on philanthropy (Marquis & Qian, 2014; Wang & Qian, 2011). These differences stem not only from variations in cost structures but also from the distinct objective functions each organizational form pursues, influencing their engagement with social issues (Luo & Kaul, 2019). On the one hand, private organizations prioritize private

value creation and often adopt an instrumental perspective. On the other hand, state-owned organizations (SOEs) are more oriented towards social goals, driven by legal mandates to generate public gains alongside profitability, and are constantly faced with pressures from the political arena that shape their priorities towards social value creation or political objectives (Dixit, 2002; Inoue, 2020; Musacchio et al., 2015). From a comparative perspective, then, SOEs are more inclined towards social value creation than private organizations and thus can be expected to be more willing to allocate resources to projects in underserved localities where their impact can be substantial compared to highly competitive markets already served by other organizational forms. However, investing in underserved areas entails higher uncertainty, requiring firms to actively learn about local conditions and assess the feasibility of engagement. Such locations, however, are usually permeated by increased levels of uncertainty, requiring an active process of the firm to learn about the characteristics of the location and decide whether to engage with it or not. Under those circumstances, private organizations usually possess a comparative advantage in elaborating creative solutions to adapt to the needs of the location and still be able to reap private benefits (Luo & Kaul, 2019). Thus, the presence of SOEs in underserved localities may hinge on a favorable institutional environment with reduced uncertainty.

With the reduction of market friction through the introduction of the policy, two effects can be expected to occur. First, private organizations may leverage the lower search costs to increase their overall philanthropic giving more promptly than SOEs, which traditionally present lower levels of operational efficiency and thus may take longer to leverage a higher volume of resources to invest (Musacchio et al., 2015). Second, concerning giving to underserved localities, a heterogeneous effect is anticipated: the reduction in market friction decreases uncertainty associated with investing in such regions, potentially increasing incentives for SOEs to allocate more of their portfolio there to maximize social value creation. Moreover, since these organizations are more sensitive to changes in the political arena, an institutional policy with a clear mandate towards the redistribution of resources to better serve individuals in underserved locations is likely to resonate more strongly with SOEs than with private organizations (Dixit, 2002; Inoue, 2020). Hence, while aggregate philanthropic giving by private organizations may catch up to SOEs, the

allocation to underserved localities is expected to show a distinct pattern, with a much more substantial increase occurring among SOEs than in private firms. The complete theoretical model analyzed in the paper is presented in Figure 1.

Hypothesis 3: In response to a policy that reduces search costs in the philanthropic market, SOEs experience a larger increase in their philanthropic giving to projects from underserved regions compared to private firms.

INSERT FIGURE 1 ABOUT HERE

3. DATA AND METHODS

3.1 Empirical context

I examine the Brazilian corporate philanthropic sector, with a particular emphasis on giving to cultural projects facilitated by government intermediation. Brazil has a longstanding tradition of federal programs designed to promote philanthropic investments, dating back to 1991, shortly after the establishment of the New Republic. These programs operate on a tax-exempt basis, allowing firms to make deductible donations to organizations responsible for carrying out sociocultural initiatives (Bertrand et al., 2020). The Brazilian tax incentive regime is very similar to other corporate philanthropy programs worldwide, with the primary differences being related to the size of the deduction. While some countries allow for a partial deduction of the giving amount, ranging from around 50% in India (Chakravarty & Singh, 2021) and the Netherlands (Koolen-Maas et al., 2021) to about 60% in Canada (Alepin, 2021) and France (Loncle, 2022), other nations permit up to 100% deduction, such as in Geneva (Huber, 2021) and Brazil (Brasil, 1991).

These programs predominantly function through market mechanisms, decentralizing decision-making from the government to for-profit entities, which select nonprofit partners based on their own preferences. Consequently, these mechanisms generate two primary outcomes: they effectively attract

corporate investments and, due to their decentralized nature, may concentrate donations in urban areas with stronger marketing capacities, potentially overlooking underserved regions with less commercial viability (Garcia, 2020; Guimarães, 2020).

3.1.1 The Brazilian tax-exemption program for corporate investments in culture (PRONAC)

The PRONAC program is one of the most prominent initiatives by the Brazilian Ministry of Culture with the aim of promoting broad access to cultural resources for the Brazilian population while preserving local cultural expressions and national heritage (Brasil, 1991, 2017). Established in 1991, the program operates on a market-based mechanism designed to facilitate the matching between cultural projects developed by for-profit entities, non-profits, citizens, and potential sponsors seeking to provide financial support. Cultural projects from diverse segments are eligible to participate, including historical, architectural, and archaeological heritage, as well as libraries, museums, literature, gaming, and audio-visual proposals. Each project can raise up to 10 million reais (approximately 2 million dollars) per fiscal year to cover operational, marketing, and administrative expenses. To qualify, proposed projects undergo evaluation by an expert committee from the Ministry of Culture, assessing feasibility in terms of timing, budget, and cultural content. Other competencies such as marketing, sales, or communication capabilities are not factored in the evaluation process. Once approved, projects become eligible for funding from any Brazilian firm subject to taxation under the Lucro Real System, a regime applicable to organizations earning more than 78 million reais (approximately 15 million dollars) annually. Participating firms can deduct up to 4% of their federal tax payments annually to invest in the program and are permitted to engage in projects' marketing campaigns, as well as request up to 10% of the project's production (e.g., tickets, books, etc.) to distribute among partners.

While the Ministry of Culture regulates budget utilization and evaluates projects' eligibility for funding, it does not intervene in the negotiation process between firms and cultural proponents. As a result, the matching process within this sector operates entirely on market dynamics, contingent upon the alignment of preferences between firms and cultural projects seeking support. Since its inception in 1991

through 2016, the program relied on firms and cultural projects to independently connect with one another. Cultural projects typically sought out firms through direct outreach efforts, while firms used their networks to discover projects or issued calls for submissions where projects could apply and await contact from interested firms. This decentralized approach incurred significant expenses for both parties, as substantial investments were required for the search process. Still, the program was able to generate an average of 1.3 billion reais (approximately 250 million dollars) in investments annually between 2012 and 2021, benefiting 20,263 cultural projects and engaging 10,871 sponsors. However, due to the program's structure of incentives, a majority of firms concentrated their investments on projects with high marketing potential, aiming to maximize private value appropriation. From a demand-side perspective, financially robust projects had better access to firms, limiting funding opportunities for less affluent proponents. Consequently, there has been a pronounced concentration of resources in highly commercial regions, particularly in the Brazilian Southeast, which received 80.5% of total funding at its peak in 2016, reflecting the region's more developed markets (Belmiro et al., 2022). This trend is illustrated in Figures 2 and 3.

INSERT FIGURES 2 AND 3 ABOUT HERE

3.1.2 The introduction of a new policy (Versalic)

In 2017, aiming to address this concentration trend and streamline the matching process between sponsors and cultural projects, the Brazilian Ministry of Culture introduced a new policy, which included a significant overhaul in program communication, with a strong emphasis on recommending the redistribution of resources to underserved regions. Central to this effort was the introduction of Versalic, an online portal providing comprehensive details on approved projects seeking funding (Brasil, 2017). This portal features extensive project information such as budget breakdowns, schedules, descriptions, activity plans, technical specifications, marketing materials, counterparties, and legal documentation. As a result, the portal equips sponsors with precise project details, enhancing their understanding beyond traditional marketing presentations or decks. Figure A2 in the Appendix illustrates an example of the information

available through this platform. The new policy effectively reduced information asymmetry for sponsors, enabling them to make more informed decisions about projects to support. Notably, sponsors became able to access technical descriptions instead of marketing presentations or decks, further enhancing the accuracy of their assessments. As previously discussed, by lowering search, matching, and monitoring costs and by improving the visibility of projects from outside of the highly concentrated regions, the policy had the potential to increase overall philanthropic contributions in the cultural sector and to more equitably distribute resources across the country.

However, anecdotal evidence suggests that the policy did not succeed in altering investment trends, either in the highly concentrated and commercial Brazilian Southeast region or in other localities. For instance, between 2016 and 2017, aggregate investments increased marginally from 890 million reais (160 million dollars) to 905 million reais (165 million dollars), representing a mere 1% rise. Throughout the observed period, total investments through the mechanism grew from an average of 950 million reais (170 million dollars) between 2011 and 2016 to around 1.2 billion reais (220 million dollars) between 2017 and 2021, but this growth remained consistent with expected trends over time, as illustrated in Figure 4. This figure depicts both forecasted investment levels based on an optimal SARIMA model² using monthly aggregate investment data and the actual trends (Bergh & Holbein, 1997; Tsay, 2005). Notably, corporate giving was not sufficiently impacted by the policy to diverge significantly from predicted trends and extrapolate confidence intervals, with actual investment peaks often falling below the expected values. Thus, it appears that the policy was partially ineffective, at least from the perspective of attracting new investments. Therefore, it is crucial to further analyze whether the policy achieved heterogeneous effects in reallocating existing resources depending on municipality characteristics (underserved or adequately served) and firm-level attributes.

INSERT FIGURE 4 ABOUT HERE

² For a detailed description of the ARIMA implementation and the validity of the forecast, please refer to the Appendix.

3.2 Data and variables

I combine a series of publicly available datasets to analyze firms' philanthropic giving before and after the introduction of the policy. These datasets include information on firms' investments and attributes, details on cultural projects, and characteristics of their respective municipalities. First, I utilize data from the Versalic system, managed by the Brazilian Ministry of Culture, which documents every transaction between sponsors and cultural initiatives within the program. This dataset provides comprehensive information on each project receiving funding, such as: budget breakdown, exact location, descriptions of activities, proponent identification, and number of investors. Second, I merge this with data from Capital IQ on firms' performance metrics like Return on Assets (ROA), market value, advertisement expenses, and ESG scores. Third, I incorporate socioeconomic data compiled by the Brazilian Institute of Geography and Statistics (IBGE) and the Brazilian Institute of Applied Economic Research (IPEA), covering annual population sizes, GDP, and GDP per capita for each municipality. Finally, I include details from the Basic Municipal Information (MUNIC) dataset, also organized by IBGE, which outlines the availability of Cultural Equipment within each Brazilian municipality. This comprehensive approach results in a final sample of 7,916 observations covering 148 public companies investing in 5,616 cultural projects across 334 Brazilian municipalities from 2011 to 2021.

Dependent variable: Investment amount on each project

The main dependent variable captures the invested amount by each firm on each cultural project annually. To construct this variable, I aggregate the yearly investments made by each firm on each cultural project according to the Versalic dataset and apply a log transformation to achieve a normally shaped distribution. This approach allows for observing the dynamics of firm investments across different projects and localities over the years.

Main independent variable: Policy Introduction (Post)

I assess the effects of the policy by analyzing the timing of the implementation of Versalic by the Brazilian Ministry of Culture, which was initiated in 2017. To distinguish and compare pre- and post-policy periods, I create a dummy variable that takes the value of 1 for the period after 2017 and 0 otherwise. This variable allows for identifying the period when search and matching costs were affected by the introduction of the Versalic platform and facilitates comparisons with the years preceding this change.

Underserved localities

To assess whether municipalities are underserved or not in terms of access to culture, I utilize data from the MUNIC dataset by IBGE, which details the presence and quantity of cultural structures and equipment within each locality as of 2013. These include governmental cultural plans, management bodies, councils, budget allocations, funds, preservation councils, and heritage listings. Cultural equipment encompasses libraries, museums, theaters, cultural centers, and public archives. To aggregate information and establish a measure of access within each municipality, I create two separate indices: the *Municipality Index*, which sums 1 for each cultural factor that is present within a municipality and 0 for factors that are absent; and the *Total cultural equipment* index, which sums all the quantity of equipment per municipality. Acknowledging the potential limitations of these discrete measures in capturing the exact amount of access to culture in different municipalities, I define a binary variable identifying *Low culture access* by assuming value 1 if the locality is in the bottom 25% of the *Municipality Index*, and 0 otherwise. Grouping municipalities allows for comparisons of the *relative* levels of access to culture in very distinct contexts, thus providing some intuition on how localities with more adequate service provision perform relative to underserved ones. This framework offers insights akin to factors considered by firms when allocating corporate philanthropic investments and thus should work as a relevant proxy for this paper's purpose. Additionally, in parallel to the main analyses, I consider a series of robustness tests using alternative measures, so to test for the support of the findings obtained with the *Low culture access* measure.

High-performance firms

To implement comparisons between market high and low-performance firms, I created a dummy variable that assigns a value of 1 if a firm is the higher performer in its industry each year, and 0 otherwise, following the tradition of the literature that analyzes the sustainability of superior performance within distinct industries (Brown & Eisenhardt, 1998; Wiggins & Ruefli, 2005). To measure this variable, I utilize data on firms' ROA from the Capital IQ dataset and define as high performers the firms with the best performance within their sector each year. This comparative approach allows for straightforward comparisons between the two types of performance levels and thus is deployed for testing Hypothesis 2.

State-owned Enterprises (SOE)

To classify the ownership form of each firm, I employ a dummy variable that takes a value of 1 if the firm is state-owned and 0 if it is private, according to the classification found in the Capital IQ database, which categorizes as state-owned enterprises where the state has significant control through full, majority, or significant minority ownership. This approach mirrors methodologies used in prior studies that compare organizational forms (Cabral et al., 2013; Inoue et al., 2013; Jeong et al., 2020).

Control variables

I add a series of control variables at the cultural project, firm, and municipality levels to ensure that observed effects are related to firms' decisions to donate to underserved municipalities rather than alternative factors. At the project level, I control for the log-transformed amount requested by each project to the Ministry of Culture, aiming to account for its size and attractiveness for investment (Tilcsik & Marquis, 2013). I also include a categorical variable for the segment of the cultural project (e.g., music, literature, cinema, etc.) to control for investment trends related to the project's cause, instead of its locality (Gatignon & Bode, 2023). Finally, to mitigate potential effects arising from the geographical proximity of the firm to the community, I control for the geographical distance between the project and the firm's headquarters.

At the firm level, I primarily control for performance trends using Return on Assets (ROA), known to influence philanthropic action and donation diversity (Seo et al., 2021; Tilcsik & Marquis, 2013). I further control for Portfolio Diversification across segments and localities, measured by the Blau Index (1 – Herfindahl Hirschman index), to exclude effects stemming from diversification motives rather than preferences for specific causes and localities (Luo et al., 2018). Last, I include a control for firm Experience within the program, measured by the years since 2010 that the firm has invested through this channel, to account for past knowledge and consequential strategic advantages (Wang & Qian, 2011).

Finally, at the municipality level, I include controls to account for possible variations in the outcomes stemming from socioeconomic factors other than the level of access to cultural equipment. In that sense, I use data from IBGE to control for population size as a proxy for demand for cultural equipment. Additionally, based on data from MUNIC and Versalic, I also control for Total Investments in Culture and the Number of Projects seeking funding in each municipality per year, so to avoid any interference in the data related to market structure and project availability.

3.3 Econometric approach

To test the proposed hypotheses, I employ a panel data model with firm, municipality, year, and municipality-year fixed-effects to control for unobserved heterogeneity. Additionally, I add a series of control variables to the specification to eliminate the effects arising from observable factors that have already been identified by extant literature as potential drivers of philanthropic investments (Gatignon & Bode, 2023; Luo et al., 2018; Seo et al., 2021; Tilcsik & Marquis, 2013; Wang et al., 2008; Wang & Qian, 2011). The whole set of control variables is described in the previous section. The final specification is as follows:

$$\begin{aligned} Invested\ amount_{ipmt} = & \beta_1 Low\ culture\ access_m + \beta_2 Post_t + \beta_3 Low\ culture\ access_m * Post_t + \\ & + \theta'X_{ipt} + \alpha_i + \alpha_m + \alpha_t + \alpha_{mt} + \epsilon_{ipmt} \end{aligned}$$

Where *Invested amount*_{*ipmt*} is the amount invested by each firm *i* in project *p* from municipality *m* during period *t*; *Low culture access*_{*m*} is a dummy variable indicating whether a municipality is underserved in terms of access to cultural (=1) or not (=0); *Post*_{*t*} is a dummy variable representing periods post=1 or pre=0 the introduction of Versalic; *Low culture access*_{*m*} * *Post*_{*t*} is the interaction between the two previous variables, providing the main effect of interest to our analyses; *X*_{*ipt*} is a vector of observable firms' and projects' characteristics; and α_i , α_m , α_t and α_{mt} are individual, municipality, year and municipality-year fixed effects, respectively. To test Hypothesis 1 the coefficient of interest is β_3 . An alternative specification for testing Hypothesis 1 is also presented, considering a differences-in-differences (DID) approach at the municipality level³, but since it does not allow for the inclusion of project-specific characteristics in the model, it is not considered the baseline method for this study, despite its increased robustness from a causal inference perspective (Angrist & Pischke, 2009).

To test the remaining hypotheses, I implement slight changes to the previous equation and include one interaction term to *Low culture access*_{*m*} * *Post*_{*t*}, as a way to account for heterogeneities in firms' traits. In the following specification, β_7 is the coefficient of interest for testing Hypotheses 2 and 3:

$$\begin{aligned} \text{Invested amount}_{ipmt} = & \beta_1 \text{Low culture access}_m + \beta_2 \text{Post}_t + \beta_3 \text{Firm attribute}_i + \\ & + \beta_4 \text{Low culture access}_m * \text{Post}_t + \beta_5 \text{Low culture access}_m * \text{Firm attribute}_i + \\ & + \beta_6 \text{Firm attribute}_i * \text{Post}_t + \beta_7 \text{Low culture access}_m * \text{Post}_t * \text{Firm attribute}_i + \\ & + \theta' X_{ipt} + \alpha_i + \alpha_m + \alpha_t + \alpha_{mt} + \epsilon_{ipmt} \end{aligned}$$

Where *Firm attribute*_{*m*} may represent either variations in performance level, or ownership form, as described in the Data and variables section. Given the complexities in properly interpreting the outcomes

³ In the municipality level differences-in-differences approach, the dependent variable measures the total amount of investments each municipality received annually, rather than the investments made by the firms to each project. The remainder of the model mirrors the one outlined in this section.

from triple interaction terms, throughout the whole paper, I also present the results of two-way interactions between $Firm\ attribute_m * Post_t$ in two different subsamples, where $Low\ culture\ access_m = 0$ or $Low\ culture\ access_m = 1$.

To address concerns regarding potential confounding effects, I perform a series of robustness exercises, including an analysis of an additional policy outcome, the use of alternative variables to ensure the consistency of the main findings, replications of the main tests in subsamples, and estimations of the influence of confounding factors. First, I reinforce the policy outcomes at the institutional level by analyzing whether it was able to decentralize giving from the Southeast region to the rest of the country. Second, I re-test the main models using alternative measures of the *Low culture access* variable to better grasp the potential drivers of firm investment in low culture localities. Third, I replicate the main tests in subsamples that exclude industries lacking competitors or new entrants post-policy introduction. Finally, I assess the influence of potential confounding factors on the main outcomes, such as portfolio diversification, industry competition, and municipality economic growth⁴. Table 1 presents the descriptive statistics of the main variables alongside pairwise correlations.

INSERT TABLE 1 ABOUT HERE

4. RESULTS

4.1 Institutional level effects

Table 2 presents the results from the institutional-level analysis, examining how the policy impacts the distribution of giving across projects in underserved and adequately served municipalities. Panel A exhibits the results from the panel data model, while Panel B relates to the DID specification. Both models use the logarithm of invested amount as the dependent variable, incorporating municipality and year fixed effects, alongside control variables to account for observed trends, as described in the Data and variables section. The panel specification also includes firm fixed effects to address unobserved heterogeneity.

⁴ For more information on these approaches, refer to the session Robustness tests below.

Additionally, Figure 5 supplements these results with an event-study from the DID model, illustrating differences in investment levels between underserved and adequately served municipalities over time. Together, these results provide inputs for evaluating the adherence of the results to Hypothesis 1 by analyzing the coefficient associated with the interaction between the Low culture access and the post-policy dummies.

INSERT TABLE 2 AND FIGURE 5 ABOUT HERE

Hypothesis 1 posits that in response to the policy's reduction in search costs within the philanthropic market, firms are associated with an increase in their philanthropic giving to projects in underserved regions relative to adequately served regions. The estimates reported in Panels A and B (Table 2) do not provide support for this hypothesis: there is no statistically significant effect of the policy on the allocation of resources to projects from low culture municipalities ($p > 0.10$). This finding is further corroborated by the event-study plot in Figure 5, which supports the parallel trends assumption from the DID model, thus improving our causal identification, and at the same time indicates no discernible impact of the policy on giving to low culture access localities compared to adequately served ones. Thus, in addition to failing to attract increased investments, as noted in the anecdotal evidence presented in the Empirical context section, the policy also proved ineffective in redirecting investments from more commercially attractive and concentrated localities to underserved ones.

4.2 Firm-level effects

Table 3 provides the results examining how firms' performance level and ownership form influence their philanthropic giving to projects in underserved communities after the policy introduction. Columns [1] and [2] report the results from the panel specification, comparing high and low performers, with variations related to the subsample being adopted: column [1] focuses exclusively on municipalities with adequate access to culture, while Column [2] examines underserved localities. Subsequently, columns [3]

and [4] preserve the same structure but refer to the comparisons between SOEs and private firms. In all four cases, the coefficient of interest is the interaction term between Low culture access and post-policy dummies. Finally, in columns [5] and [6], the analysis encompasses the full sample, but now a third interaction term is added in substitution to the split samples, leading to a coefficient of interest related to the triple interaction between Low culture access, post-policy and organizational characteristic (High performance or SOE). Column [5] contrasts High vs. Low performers, while Column [6] compares SOEs with private firms. Across all specifications, the dependent variable is the logarithm of the invested amount per project. Each model includes individual, municipality, year, and municipality-year fixed effects, alongside control variables capturing project characteristics and firm performance heterogeneity. I assess the adherence to Hypotheses 2 and 3 by comparing the results from Columns [1]-[2] and [3]-[4], respectively. For confirmation of these findings, I refer to Columns [5] and [6], respectively.

INSERT TABLE 3 ABOUT HERE

Hypothesis 2 poses that, in response to the reduction in search costs promoted by the policy, high-performance firms experience a larger increase in their philanthropic giving to underserved regions compared to low-performance ones. The results presented in columns [1], [2], and [5] are consistent with this hypothesis: high performers exhibit an increase of approximately 66.3% more in projects from underserved localities post-policy compared to low performers (column 2: coef = 0.509, $p < 0.05$; column 5: coef = 0.456, $p < 0.01$), while there is no evidence that this change also occurred within adequately served regions (column 1: coef = 0.169, $p > 0.10$).

Finally, according to Hypothesis 3, when faced with the policy, SOEs are associated with a larger increase in their philanthropic giving to projects from underserved regions compared to private firms. The estimates from columns [3], [4], and [6] lend support to this hypothesis, indicating that SOEs did increase about 54.1% more their philanthropic giving to underserved regions post-policy than private firms (column 4: coef = 0.433, $p < 0.05$; column 6: coef = 0.310, $p < 0.05$). This pattern is not observed, however, in

adequately served regions (column 3: coef = 0.055, $p > 0.10$). Furthermore, results from column [6] provide insight into SOEs' portfolio allocation before the policy, suggesting they were less active in underserved communities compared to private firms (column 6: coef = -0.425, $p < 0.01$, SOE X Low culture access interaction), and the policy intervention reversed this trend.

In summary, these results suggest that while the policy fell short of effectively shifting investments away from the more commercially active Brazilian Southeast region towards underserved localities, there were notable heterogeneities depending on firm characteristics that could lead to positive resource allocation outcomes. In particular, both High-Performance firms and SOEs capitalized on the reduction in search and matching costs facilitated by the policy to enter previously neglected underserved markets, thus potentially contributing to promoting cultural development in these regions, where their involvement could arguably have a more transformative impact. Furthermore, the analysis indicates that neither type of firm—high-performance firms nor SOEs—became less active in adequately served markets following the policy, compared to their competitors. This suggests that they were able to extend their reach into underserved regions without harming their previous positions in other localities.

4.3 Robustness tests

In the first robustness test, I aim to provide additional evidence on the policy's lack of success in achieving its goals, despite introducing informational shifts in the market. To do so, I deploy an analysis focused on assessing the policy's impact on the amount invested by firms in the concentrated Southeast region compared to other regions across the country. The structure of the analysis followed the same triple-interaction specification outlined in the Econometric approach section, replacing the *Low culture access* variable with an *Outside Southeast region* dummy variable, which takes the value of 1 if the cultural project receiving investments was located outside the Southeast region, and 0 otherwise. The results, presented in Table 4, indicate that the policy did not effectively incentivize firms to redirect their giving from the Southeast regions to other parts of the country. This conclusion is supported by the null aggregate effect observed in column [1] (coef = -0.107, $p > 0.10$), as well as by estimates comparing High vs. Low-

performance firms (column 2: coef = -0.070, $p > 0.10$) and SOEs vs. private firms (column 3: coef = -0.182, $p > 0.10$). These results complement previous findings indicating the policy's ineffectiveness in achieving its primary goals.

INSERT TABLE 4 ABOUT HERE

The second robustness test seeks to gain deeper insights into firms' decision-making processes regarding philanthropic giving based on observable levels of access to culture within municipalities. To do so, I incorporated three alternative measures of access to culture into the triple interaction term of the baseline econometric specification. The first variable is the *Municipality Index* described in the Data and variables section, which consists of a continuous, aggregate measure of the presence of a series of cultural equipment and structures in the municipalities. The second one is the *Total cultural equipment* index, which instead of just registering the presence of these equipment and structures, actually considers the quantity of available factors in each municipality. Finally, I also include a *Cultural equipment per capita* measure, consisting of the ratio between the Total cultural equipment index and the population size in each municipality. Rather than just providing a comparative assessment between underserved and adequately served regions, these measures allow for the interpretation of an average effect related to cultural equipment availability across municipalities. In all cases, the dependent variable is the logarithm of the invested amount per project, and the coefficient of interest is the one associated with the triple-interaction term.

Table 5 presents these robustness tests. Columns [1]-[3] refer to the comparisons between High and Low performers, considering the *Municipality Index*, the *Total cultural equipment* index, and the *Cultural equipment per capita* variable, respectively. According to the estimates, high performers are less associated with investments in municipalities with higher availability of cultural equipment after the shock than low performers, as indicated by the coefficient from the triple interaction term in column [1] (coef = -0.119, $p > 0.10$), although the estimate is not statistically significant. This result not only is consistent with the main findings from Hypothesis 2, related to an increased participation of high performers in underserved regions

after the policy, but also provides some intuition on the reactions of the low-performance firms to the policy, who become comparatively more focused on municipalities where cultural provision is higher. The remaining analyses indicate while firms do consider the presence of cultural equipment and structures in their philanthropic decisions, the absolute quantity (column 2: coef = -0.000, $p > 0.10$) and the per capita availability (column 3: coef = 733.08, $p > 0.10$) are not the main drivers. Columns [4]-[6] similarly report the results regarding SOEs compared to private firms. The findings mirror exactly the previous results: the higher the availability of different cultural equipment and structures in the municipality, the lower the associated investment amount from SOEs compared to private firms (column 4: coef = -0.133, $p < 0.05$). Furthermore, the amount of equipment does not significantly alter these firms' strategies (columns 5 and 6: $p > 0.10$).

INSERT TABLE 5 ABOUT HERE

4.4 Confounding effects

The third set of robustness tests attempts to rule out potential confounding effects that might be driving the main results. Among them, I analyze three potential alternative explanations related to the strategy adopted by the firms when selecting their philanthropic portfolio, or characteristics from the external environment that might be affecting this relationship, and which might interact with the policy. Specifically, I investigate the role of portfolio diversification as a CSR strategy, increased competition within industry, and variations in municipalities' economic development. In all cases, I maintain the same specification from the baseline model, varying only the dependent variable or the triple-interaction term, depending on the test being conducted. Also, I take a look at both comparisons between High vs. Low-performance firms, and SOEs vs. private firms, to ensure that the main findings from Hypotheses 2 and 3 are indeed associated with municipalities' low culture access rather than any of the alternative explanations presently covered. The results from these estimations are presented in Table 6.

INSERT TABLE 6 ABOUT HERE

First, I consider the possibility that, when faced with the reduction in search and matching costs promoted by the policy, firms opted to adjust the diversification of their portfolios, a strategy that is widely recognized by extant literature as pertinent to the appropriation of private value by the firm (Bénabou & Tirole, 2010; Luo et al., 2018; Seo et al., 2021). In that sense, a possible alternative effect would be to observe both High performers and SOEs increasing the diversification within their portfolios to leverage future performance gains, and the expansion into underserved localities would occur as a mere consequence of this alternative channel. I test for this possibility by including firms' diversification level, measured by the Blau index, as the dependent variable from the models presented in columns [1] and [2]. The estimates from this analysis suggest that the policy did not alter the differences in diversification between high and low-performance firms (column 1: coef = 0.028, $p > 0.10$) or between SOEs and private firms (column 2: coef = -0.045, $p > 0.10$). Hence, it seems like the choice to enter low culture areas was not a side-effect of an alternative firm strategy focused on increasing variety.

Second, in acknowledging the importance of competition for firms' strategic decision-making processes, I test for the possibility that engagement with the policy would be associated with a more fierce competition in the industry, leading firms to look for alternative mechanisms of interaction with stakeholders as a consequence of this stronger rivalry (Choi et al., 2023; Husted & de Jesus Salazar, 2006; Marquis & Tilcsik, 2016; Zhang et al., 2010). In that case, variations in outcome stemming from the policy would be carried by firms in the most competitive markets, rather than representing the whole sample of participants. To test this alternative explanation, I included a proxy for competitiveness within each industry, measured by the number of firms (competitors) within the sector, as the third term in the triple interaction from the baseline model. The remainder of the specification is the same as the baseline one, including logarithm of the amount invested as the dependent variable, and the results are presented in columns [3] and [4]. The estimates suggest that there's no heterogeneous effect of the policy depending on the level of competition within the industry in the case of High vs. Low-performance firms (column 3: coef = 0.001, $p > 0.10$). As for the other comparison, increases in the level of competition within the main industry actually reduce the amount invested after the policy by SOEs relative to private firms (column 4: coef = -

0.004, $p < 0.05$), a result that is intuitively coherent due to the increased interest from private organizations to leverage the reduction in search costs for private gains (Musacchio et al., 2015). Importantly, this result does not undermine the interpretation of the main findings, where SOEs had to at least maintain their investment amount stable to be able to reach underserved regions despite competitive pressures.

In the same spirit of mitigating concerns related to variations in market structure, I deploy two additional robustness tests accounting for the potential influence of new entrants in the philanthropic market after the policy, being attracted by the lower search and matching costs; and for potential biases related to the presence of industries with a single firm in the dataset that might be driving the results. To address both points, I re-conduct all main tests employing subsamples of the dataset that either exclude new entrants or remove industries with a single firm. The estimates are presented in the Appendix (Tables A2 and A3). Notably, all results are consistent with the baseline estimations, thus reinforcing the validity of the conclusions and affirming the broader generalizability of the research outcomes.

In the final robustness test, I assess the possibility that firms' corporate philanthropy decisions may be subject to economic variations within municipalities instead of pertaining to the levels of access to cultural equipment. The 2010s decade in Brazil was marked by political and economic instability, consequent of the deflagration of a series of corruption scandals and significant political changes, including the impeachment of former president Dilma Rousseff (Gatignon et al., 2023). These instabilities affect both firms' financial positions and their political relationships with local governments, which ultimately interfere with their philanthropic activities (Wang & Qian, 2011). In order to acquire some intuition on whether these changes to the external environment could eventually alter firms' choices regarding underserved localities, I examine how variations in municipalities' GDPs affect corporate giving to these regions irrespective of the introduction of the policy. To do so, I maintain the baseline specification, keeping the logarithm of invested amount as the dependent variable, but substituting the post-policy dummy variable with the logarithm of each municipalities' GDPs in the triple-interaction term.

The estimates from this analysis indicate that, throughout the entire time series, the level of economic activity within municipalities does not affect high performers' choice for projects from

underserved localities (column 5: coef = -0.019, $p > 0.10$). This reinforces the conclusion that the policy-induced changes observed in firms' philanthropic strategies towards underserved regions were more likely driven by the policy's impact on reducing search and matching costs rather than broader economic fluctuations. Furthermore, from the perspective of SOEs, there's a reduced presence in underserved localities with increased economic activity after the introduction of the policy compared with private firms (column 6: coef = -0.097, $p > 0.10$), thus strengthening the argument that SOEs are focused on their mandate of providing to underserved rather than targeting more developed regions.

4.5 Extension analysis: projects' communication as determinants of firm investments

To gain deeper insights into firms' decision-making processes when selecting projects —whether driven by instrumental or normative reasonings— and their adaptations in the face of a policy that significantly reduces information asymmetry, I examine the influence of projects' descriptions on the investment size of high-performance firms (vs. low-performance ones) and SOEs (vs. private firms). Specifically, I classify project descriptions based on their orientation towards Private value and Social value and assess whether the influence of these orientations on firms' corporate philanthropy varies after the implementation of the policy.

For this analysis, I utilize the dictionary of Private (Economic) and Social value orientations developed by Moss et al. (2018). This dictionary was created to identify common terms related to these topics that are frequently used by small ventures in their funding narratives. Through a process of document scanning, literature review, and validation with independent scholars, the authors built a comprehensive dictionary consisting of 179 words or word roots, of which 71 are linked to a Private-value orientation and 108 are associated with a Social-value perspective. The whole dictionary is replicated in the Appendix (Table A4). Based on this dictionary, I create two indices that track the frequency of these terms in the main texts submitted by project proponents to the Brazilian Ministry of Culture, and which were made fully accessible to sponsors via the Versalic platform. The resulting variables, *Projects' marketing description*,

and *Projects' ESG description*, are measured by the ratio between the occurrence of dictionary terms related to each value dimension and the total number of words in the text.

I empirically examine how these factors may influence firms' investment decisions by incorporating each one of those measures in the baseline specification. To do so, I retain the logarithm of the invested amount as the dependent variable and set the coefficient of interest as the triple-interaction term between the post-policy dummy variable, the firm's characteristic (High performers or SOE dummy variables), and the projects' description orientation. The estimates from this analysis are reported in Table 7.

INSERT TABLE 7 ABOUT HERE

The results reveal no evidence of either of the orientations directly impacting firms' investment choices (double interaction terms between firm type and project description, where $p > 0.010$). However, the scenario shifts significantly post-policy implementation. With the policy's introduction, detailed and technical project descriptions become readily available to investors, reducing dependence on less imprecise project presentations and pitching decks. This enhanced transparency makes projects with a Private-value orientation particularly appealing to high-performance firms as opposed to low-performance ones (column 1: coef = 26.005, $p < 0.05$). Arguably, these findings align with the mechanisms expected to be at play in this type of competition, as described in the development of Hypothesis 2, where both firm types are driven by instrumental reasonings, but high performers are better equipped to leverage the information available in the external environment faster than low performers due to their enhanced capabilities and resource availability (Makadok, 1998; Salomon & Jin, 2010). Conversely, there is no empirical evidence that Social-value orientation plays a significant role in determining differential firm giving between high and low-performance firms (column 2: coef = 0.887, $p > 0.10$). This indicates that altruistic motivations, which are more closely associated with Social-value orientation, do not distinctly influence the investment choices between players with different performance levels.

The outcomes concerning the comparison between SOEs and private firms present a more puzzling picture. According to the results, neither Private-value nor Social-value orientations significantly influence the investment amounts of SOEs compared to private firms (column 3: coef = 1.585, $p > 0.10$; column 4: coef = -2.385, $p > 0.10$). One possible explanation for this lack of differentiation is that SOEs might already be able to apprehend Social value orientations among projects before the introduction of the policy because of their constant interactions with actors under this type of driver. Therefore, making such information more explicit might not significantly alter the differences in perception between SOEs and private firms. However, the absence of an effect stemming from the interaction between the Private value orientation and the policy is counterintuitive, since private firms would be expected to be more influenced by those arguments than SOEs. A potential alternative explanation to these null results is that the level of detail provided in project descriptions, although critical in differentiating between high and low-performance firms facing direct competition, may not be as pivotal in distinguishing between SOEs and private firms, who are differentiated by their distinct objective functions, and not by competitive dynamics. This underscores the nuanced ways in which organizational form and performance in the consumers' market affect how firms engage with available information and make philanthropic decisions.

5. DISCUSSION AND CONCLUSION

This paper contributes to the existing literature on corporate philanthropy by examining the implications of institutional change on firms' value creation and allocation through philanthropic activities (Ballesteros & Magelssen, 2022; Gatignon & Bode, 2023; Husted & de Jesus Salazar, 2006; Marquis & Tilcsik, 2016; Tilcsik & Marquis, 2013; Wang & Qian, 2011). While previous research predominantly explores the impact of unexpected institutional shocks—such as natural disasters and economic crises—on corporate giving (Flammer & Ioannou, 2021; Muller & Kräussl, 2011; Tilcsik & Marquis, 2013), I focus on the effects of a deliberate policy designed to reshape firms' incentives in the corporate philanthropic sector with enhancing stakeholder inclusion. Given the structure of the analyzed policy, which drastically mitigates search costs within the philanthropic market while also encouraging firms to relocate part of their

investments to underserved regions, I anticipate a positive aggregate response from the firms in terms of investment redistribution (Marquis & Battilana, 2009; Marquis & Tilcsik, 2016). Whether for instrumental or normative reasonings, firms can be expected to increase their investments in underserved regions in comparison to commercially concentrated ones after the introduction of the policy, in a way that maximizes value appropriation (Bénabou & Tirole, 2010; Elfenbein & McManus, 2010; Gatignon & Bode, 2023; Kaul & Luo, 2018; Seo et al., 2021).

Contrary to this hypothesis, however, my findings reveal that the policy did not significantly attract new investments or redirect them toward projects from underserved localities, suggesting that it fell short of its primary objective of promoting equitable philanthropic distribution nationwide. Upon examining how firm-level attributes interact with the institutional transition, a more nuanced picture emerges: while there is no significant aggregate effect on reallocating resources to projects from underserved localities, both high-performing firms in the consumers' market (compared to low-performing ones) and state-owned enterprises (compared to private firms) increase their investments in these initiatives following the policy change. High performers leverage their enhanced resource availability, as well as their improved capabilities to absorb new information from the external market to swiftly expand into new localities and engage a broader range of stakeholders, maintaining a differentiated strategy from their competitors (Andersén, 2015; Dasgupta et al., 2009; Makadok, 1998; Nardi et al., 2022; Wiggins & Ruefli, 2005). Meanwhile, low performers tend to replicate previous strategies by entering concentrated markets where reaching a larger number of stakeholders is more cost-effective (Greve, 1998; Rashid & Said, 2024).

A similar dynamic can be observed in the case of state-owned enterprises (SOEs), which use the policy to bolster investments in projects from underserved areas, aligning with their mandate to promote social value creation besides profits (Dixit, 2002; Inoue, 2020; Musacchio et al., 2015). In contrast, private organizations, driven primarily by private value appropriation, prioritize concentrated markets, taking advantage of the policy to strengthen their presence in such localities. On balance, market equilibrium remains largely unchanged due to competitive dynamics: while high performers and SOEs increase their

focus on underserved localities, competitors seize the opportunity to capture the remaining share of the philanthropic market, hindering a complete ecosystem shift towards more equitable distribution.

Altogether, the findings illustrate that although the policy does not produce significant aggregate effects, individual firm attributes critically influence how companies adjust their strategies to optimize value creation and position themselves advantageously relative to their competitors. For diverse reasons, firms are able to exploit opportunities presented by the policy's shortcomings, thereby contributing to social value creation and enhancing the inclusion of underserved stakeholders (Boulongne et al., 2024; Durand & Huysentruyt, 2022; Marquis & Lee, 2013; Pongeluppe, 2022; Teodorovicz et al., 2023). In demonstrating these outcomes, this paper also answers recent calls in the Management literature for greater acknowledgment of government's role in influencing CSR, and the heterogeneous responses firms produce depending on their capabilities and preferences (Klein et al., 2019; Mahoney et al., 2009; Wickert, 2021).

This study also has implications for practice. In particular, it aligns with recent efforts across the globe to improve general understanding of the efficiency of tax exemptions for corporate philanthropy under different contexts (OECD, 2020; Peter & Lideikyte Huber, 2022). The findings are beneficial for a variety of stakeholders, including policymakers, firms in the philanthropic sector, and sociocultural projects seeking funding. From a policymaking perspective, this research underscores the importance of tailoring policy designs to the specific attributes of firms if the objective is to improve both the volume and distribution of philanthropic investments. Firms' responses to incentive changes within the social goods market vary significantly based on their characteristics (Gatignon & Bode, 2023; Luo & Kaul, 2019), so for a policy to be successful, it must account for these differences to ensure that changes in incentives truly influence firm behavior in the intended manner, avoiding costly and ineffective outcomes. For firms, the study sheds light on competitor behavior during institutional transitions aimed at fostering inclusion. In particular, it provides evidence that strategies such as reallocating value to underserved communities are already by various organizations, notably high performers and SOEs, potentially enhancing public value creation without compromising market positioning, thus creating incentives for this type of endeavor to be implemented more often (Boulongne et al., 2024; Marquis & Tilcsik, 2016; Teodorovicz et al., 2023).

Finally, for sociocultural projects seeking funding, this research provides valuable insights into the importance of customizing communication strategies. The effectiveness of pitch decks and marketing materials may vary depending on the attributes of the target firms, being necessary to adapt these pieces depending on the specific characteristics of the intended audience (Durand & Huysentruyt, 2022; Moss et al., 2018). This tailored approach can optimize outcomes and improve the likelihood of securing funding.

This research's empirical approach introduces certain limitations that merit consideration. First, the identification of the policy's aggregate effects using a DID methodology provides a clear claim in terms of causality, but the analyses of firm-level heterogeneities related to philanthropic giving are primarily correlational and subject to selection issues. Prior research has identified several firm attributes, such as portfolio diversification, experience, and existing partnerships, that influence philanthropic behavior and performance (Luo et al., 2018; Seo et al., 2021; Wang & Qian, 2011). Although the current hypothesis testing controls for these variables, there remains a possibility of selection bias resulting from the type of firm that takes part in the dataset on firm performance utilized in the analyses. This dataset primarily includes larger firms known for their superior financial performance and robust marketing capabilities, which may not be representative of all firms engaged in corporate philanthropy (Tilcsik & Marquis, 2013; Wang et al., 2008). A potential solution to address this issue could involve implementing alternative econometric techniques, such as the Heckman correction model (Certo et al., 2016; Heckman, 1979), which accounts for selection bias. Unfortunately, limitations within the available datasets preclude the use of such methodologies, as an appropriate instrument for the first stage of the Heckman model is absent. Consequently, this study relies on traditional panel data models, which provide insights that are strictly correlational rather than causal.

Second, the robustness of our results across various variables should be considered alongside certain measurement limitations. In particular, the current metrics for low access to culture in municipalities encompass solely the presence of cultural equipment and infrastructure. While such measures have the advantage of being directly related to the policy's focus by specifically assessing cultural access rather than broader vulnerabilities that may not be pertinent to this context, they also have the downside of consisting

of limited proxies that may not fully capture the breadth of cultural activities available in each locality, which could contribute significantly to cultural access for the populations involved. Third, although the results are consistent across several robustness tests aimed at mitigating confounding effects, other dynamic firm-level attributes may also play a role in decisions to reallocate resources to underserved groups. These include political connections, firm embeddedness, peer influence, and the personal preferences of owners (Dorobantu, Henisz, et al., 2017; Inoue, 2020; Marquis & Battilana, 2009; Marquis & Tilcsik, 2016; Oehlsen, 2024), which are not covered in the present study due to constraints related to data availability

Finally, there are important restrictions to the generalizability of the current findings. The philanthropic sector's diversity means that decision-making mechanisms likely vary considerably across different causes. Specifically, the cultural sector, which is the focus of this study, is quite idiosyncratic, such that investors in cultural projects may have different expectations about potential outcomes compared to sectors like Education or Health, which currently attract more mainstream corporate philanthropic investments (Gatignon & Bode, 2023). Furthermore, while the data used in this study is comprehensive concerning philanthropic investments in the Brazilian cultural sector, it pertains only to a specific public program. These limitations pose challenges when attempting to extrapolate the findings to other causes or geographies, restricting the ability to apply the presented conclusions more broadly across the entire spectrum of philanthropic activities.

Despite the technical constraints of the current study, I expect that it contributes to advancing current knowledge on the importance of adopting an issue of distribution lens when investigating corporate philanthropy and broader CSR activities (Arrow, 1985; Klein et al., 2019; Luo & Kaul, 2019; Mahoney et al., 2009). While it is fundamental to explore the potential for private value appropriation through these programs so to encourage firms to engage actively in those programs, there is an equal need to assess the outcomes of corporate actions in terms of value creation for a broader audience, especially when such endeavors involve partnerships with entities like governments and nonprofits, which are primarily driven by value creation in the public interest (Cabral et al., 2019; Chatain & Plaksenkova, 2019; Gupta et al., 2024). Hence, potential extensions of this study could examine the interplay between CSR and the

distribution of value to different stakeholder groups in alternative contexts, such as investments in other causes (e.g., education, infrastructure, health) or other forms of corporate social engagement (e.g., voluntary programs, workplace safety policies, philanthropic giving without tax exemptions, and diversity training). This broader research agenda could deepen our understanding of how firms' market and nonmarket strategies impact their ecosystems beyond their core activities, thereby providing a more comprehensive picture of the potential impacts stemming from organizational actions (Candeias & Sarkar, 2024; Caulfield & Lynn, 2024).

Furthermore, future research may also delve deeper into investigating the heterogeneous effects arising from various attributes of the organizations that interact with institutional-level transitions. Given the intricacy of these types of investments, which involve relationships between several different actors, characteristics such as the size and market influence of the firms (e.g., multinational vs. domestic corporations), the scope and impact of the sociocultural projects (e.g., community education programs vs. large-scale cultural festivals), and even the nature of the institutional transition at play (e.g., regulatory changes vs. policy reforms) may influence how these changes are absorbed. This, in turn, can lead to different outcomes both at the individual and ecosystem levels, substantially altering the allocation of value to the various stakeholders involved. Overall, examining the outcomes arising from the combination of different actors' attributes may prove beneficial to a more complete understanding of the potential impact of policies intended to generate social value.

FIGURES AND TABLES

Figure 1 – Theoretical model

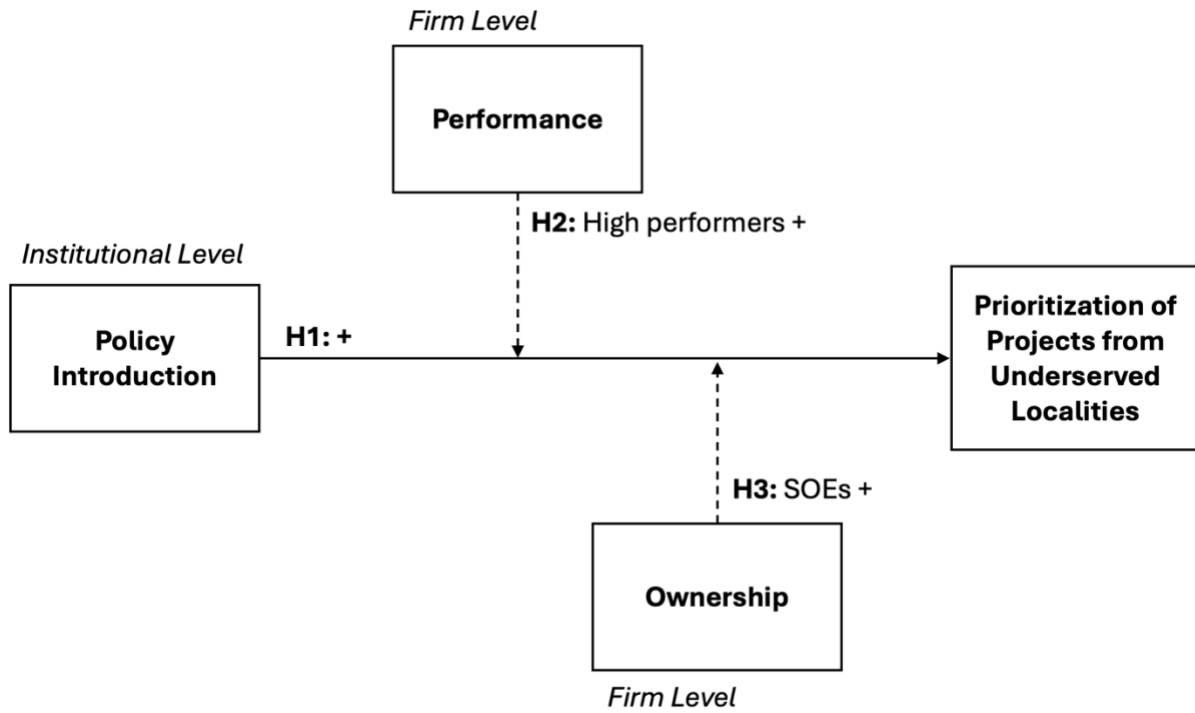
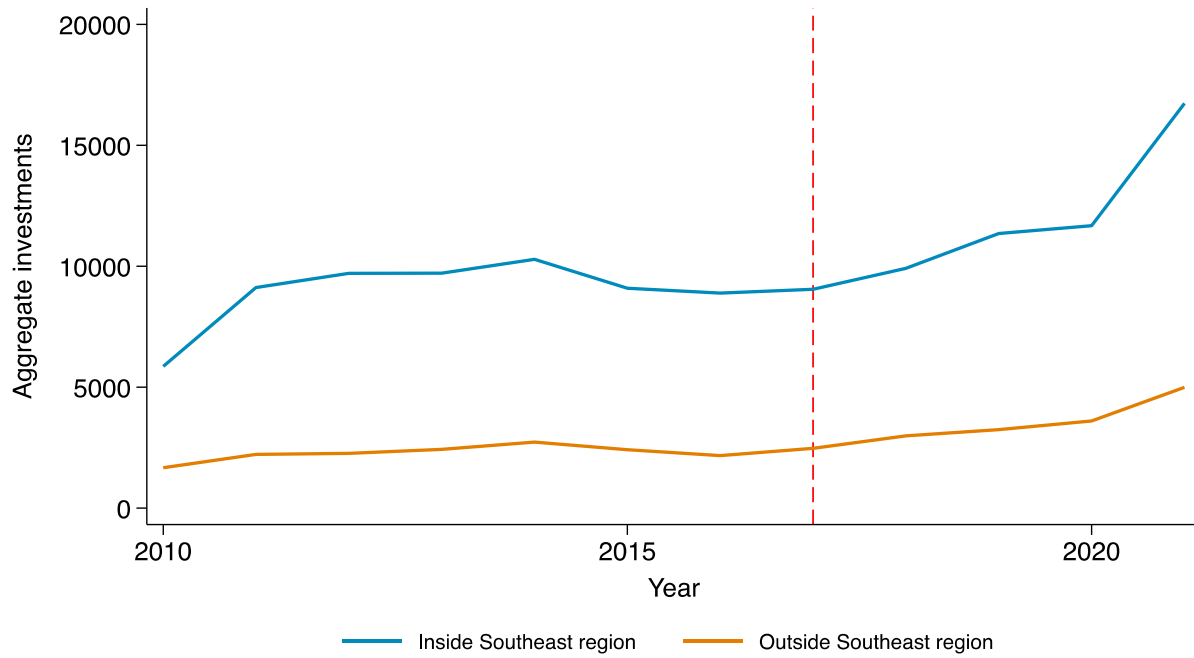
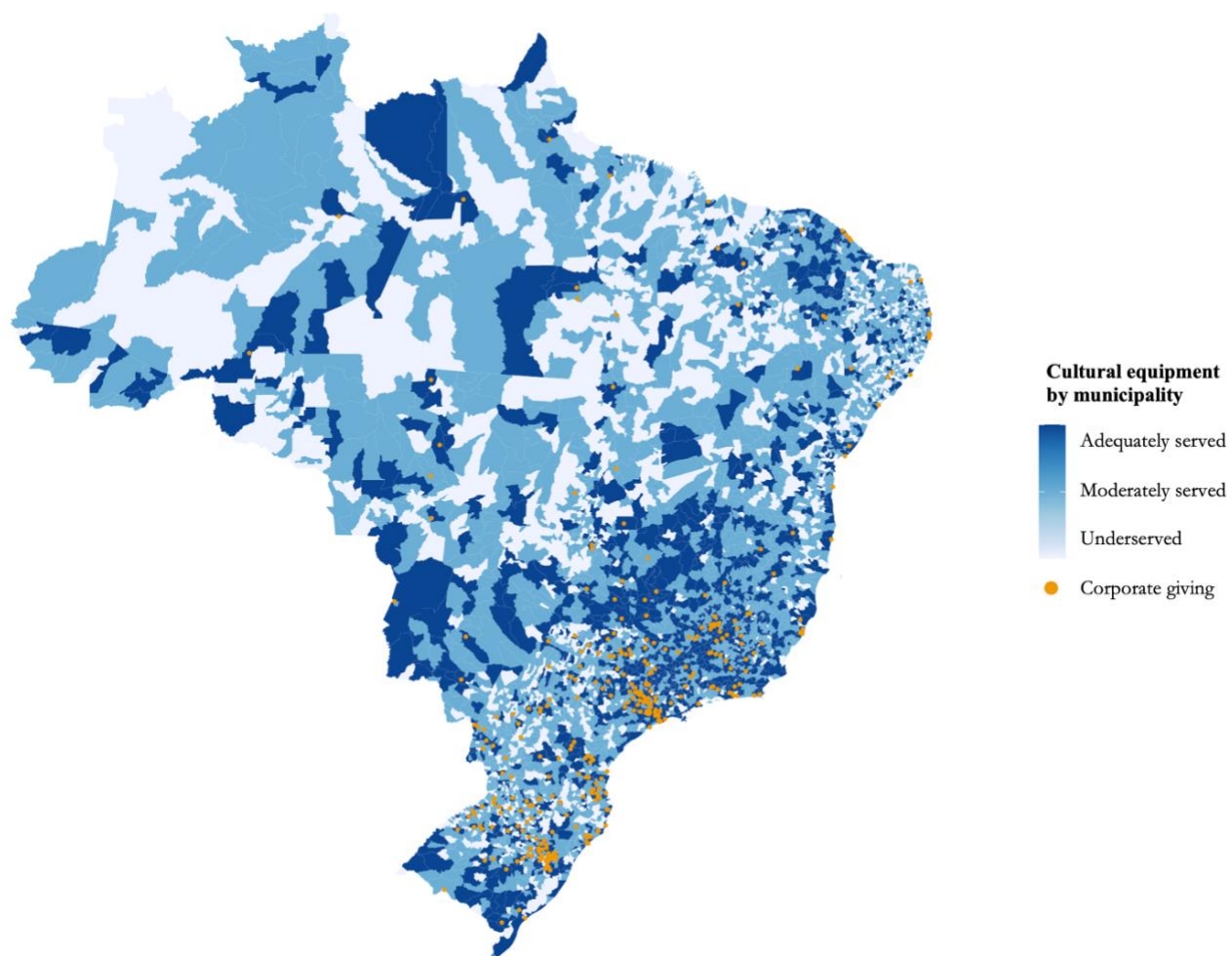


Figure 2 – Total investments within the PRONAC program, per Brazilian region



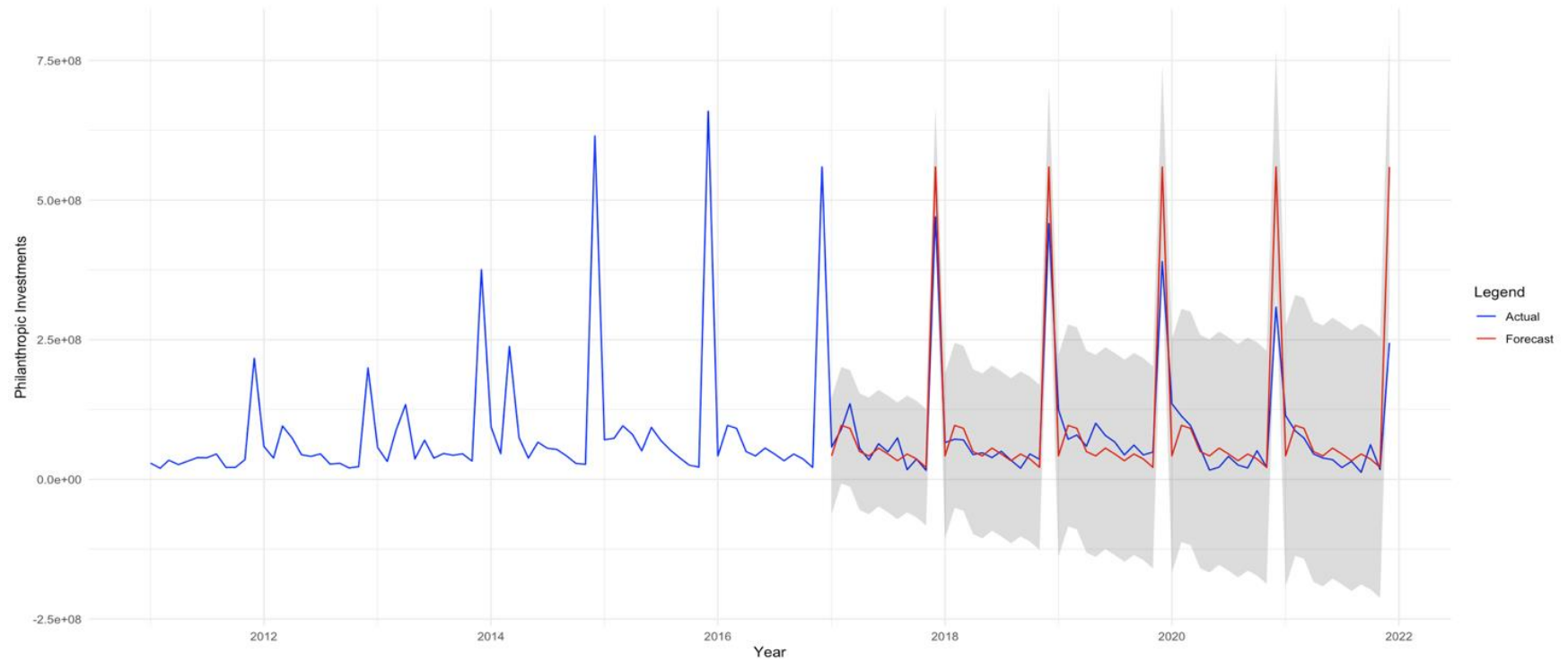
Note: Policy introduction occurred in 2017, as depicted by the solid red line.

Figure 3 – Availability of cultural equipment, per municipality



Note: The figure was elaborated using information from MUNIC regarding the availability of cultural equipment across municipalities, and data from Versalic on corporate philanthropic giving.

Figure 4 – Forecast vs Actual philanthropic investment (2017-2021)



Note: Forecasts are predicted based on an optimal-fit $ARIMA(0,0,0)(0,1,0)[12]$, estimating using monthly data on corporate philanthropic investments from January 2011 to December 2016.

Figure 5 – Event-study: Low culture access localities vs. remaining municipalities

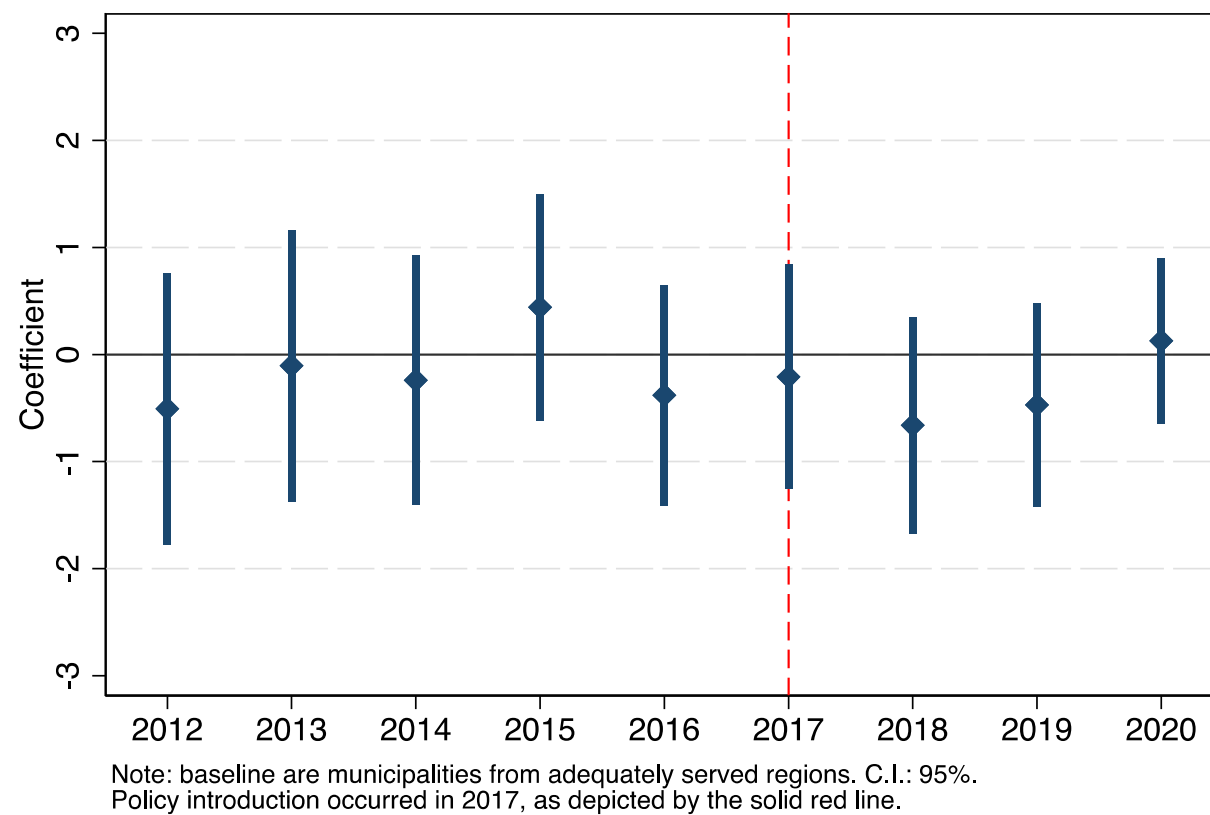


Table 1 – Summary statistics and correlations

Variable	Summary statistics				Correlations												
	Mean	Std. Dev.	Min	Max	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
[1] Log(Invested amount)	11.817	1.341	4.207	17.399	1.000												
[2] Post	0.367	0.482	0	1	0.1525**	1.000											
[3] Low culture access	0.342	0.474	0	1	0.0391**	-0.0411**	1.000										
[4] High performers	0.698	0.459	0	1	0.1295**	-0.0303**	0.1105**	1.000									
[5] SOE	0.379	0.485	0	1	-0.0509**	-0.1305**	0.0563**	0.0997**	1.000								
[6] Project's total budget	13.666	1.532	0	18.924	0.4989**	0.1915**	-0.0843**	0.0093	-0.2003**	1.000							
[7] Geographic distance	440,223.5	599,737.2	0	3,309,095	0.0381**	-0.0154	0.0429**	0.2091**	0.1501**	-0.1151**	1.000						
[8] ROA	-0.102	2.058	-69.615	12.607	-0.0190	-0.0059	-0.0055	0.1221**	0.0736**	-0.0289*	0.0418**	1.000					
[9] Blau index	0.824	0.224	0	0.982	0.1100**	-0.1086**	0.0902**	0.0999**	0.3141**	-0.1841**	0.1666**	0.0398**	1.000				
[10] Experience	11.543	1.474	1	12	-0.0423**	-0.2379**	0.0156	-0.0526**	0.2062**	-0.1666**	0.0396**	-0.0191	0.3142**	1.000			
[11] Population size	9,888,298	8,758,044	3454	2.30e+07	0.2285**	-0.0159	-0.1176**	0.2365**	0.0144	0.2784**	-0.0708**	-0.0288*	0.0017	-0.1343**	1.000		
[12] Ln(Municipality culture budget)	17.65	2.540	8.517	20.453	0.3026**	0.0191	-0.0711**	0.2317**	0.0290**	0.3011**	-0.0924**	-0.0133	0.0484**	-0.0990**	0.8260**	1.000	
[13] N. of projects per municipality	326.42	299.650	1	882	0.2054**	-0.1409**	-0.0281*	0.2417**	0.0368**	0.2324**	-0.0920**	-0.0242*	0.0367**	-0.0770**	0.9541**	0.8422**	1.000

Note: This table presents the summary statistics and correlations for each pair of variables. Significance levels: + $p < 0.10$; * $p < 0.05$; ** $p < 0.01$.

Table 2 – Main policy effects on the size of investments (institutional level)

Panel A: Panel data model (Low culture X Adequately served)			
	Coefficient	S.E.	p-value
Post X Low culture access	0.012	0.077	0.875
Control Variables	YES		
Firm Fixed Effects	YES		
Municipality Fixed Effects	YES		
Year Fixed Effects	YES		
Observations	6962		
Panel B: Municipalities DID (Low culture X Adequately served)			
	Coefficient	S.E.	p-value
ATET	0.272	0.375	0.468
Diagnosis for Parallel Trends	OK		
Control Variables	YES		
Municipality Fixed Effects	YES		
Year Fixed Effects	YES		
Observations	7989		

Note: This table presents the coefficients of regressions focused on analyzing hypothesis 1. Panel A displays the coefficients from the panel data model, while Panel B relates to a differences-in-differences (DID) specification. Variables ROA, Blau index, Ln(Project budget) and Geographic distance are included as controls for the panel specification, while Ln(GDP) is used as a control in the DID model. Standard errors are clustered at the firm level. Significance levels: + $p < 0.10$; * $p < 0.05$; ** $p < 0.01$.

Table 3 – Policy effects over the allocation of resources to underserved localities (firm level)

	[1]	[2]	[3]	[4]	[5]	[6]
	H2b) Adequate access	H2b) Low access	H3b) Adequate access	H3b) Low access	H2b) Triple Interaction	H3b) Triple Interaction
Post X High performers	0.169 (0.138)	0.509* (0.198)			0.145 (0.138)	
Post X SOE			0.055 (0.121)	0.433* (0.192)		0.064 (0.126)
High performers X Low culture access					-0.141 (0.141)	
Post X High performers X Low culture access					0.456** (0.174)	
SOE X Low culture access						-0.425** (0.149)
Post X SOE X Low culture access						0.310* (0.144)
ROA	-0.018** (0.006)	-0.006** (0.002)	-0.018** (0.006)	-0.006** (0.002)	-0.008** (0.002)	-0.008** (0.002)
Blau Index	0.243 (0.173)	0.478 (0.431)	0.251 (0.175)	0.533 (0.436)	0.293 (0.178)	0.304 (0.179)
Ln(Project budget)	0.339** (0.055)	0.430** (0.089)	0.339** (0.055)	0.427** (0.088)	0.364** (0.060)	0.362** (0.060)
Geographic distance	0.000 (0.000)	-0.000** (0.000)	0.000 (0.000)	-0.000** (0.000)	-0.000 (0.000)	-0.000 (0.000)
Firm Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality x Year Fixed Effects	YES	YES	YES	YES	YES	YES
Year Fixed Effects	YES	YES	YES	YES	YES	YES
Observations	4503	1874	4503	1874	6402	6402

Note: This table presents the coefficients of regressions focused on analyzing hypotheses 2 and 3. Columns [1]-[6] display the coefficients from the panel models. All specifications include the segment of the cultural project (categorical) as a control variable. Standard errors are clustered at the firm level. Significance levels: + p < 0.10; * p < 0.05; ** p < 0.01.

Table 4 – Robustness tests: Policy effects over the allocation of resources to regions outside the commercial center (firm level)

	[1]	[2]	[2]
	All firms	High x Low Perf.	SOEs x Private
Post X Outside southeast region	-0.107 (0.103)		
Post X High performers		0.271 (0.182)	
High performers X Outside southeast region		-0.050 (0.159)	
Post X High performers X Outside southeast region		-0.070 (0.207)	
Post X SOE			0.213 (0.141)
SOE X Outside southeast region			-0.108 (0.091)
Post X SOE X Outside southeast region			-0.182 (0.169)
ROA	-0.010** (0.002)	-0.009** (0.003)	-0.010** (0.002)
Blau Index	0.368 (0.190)	0.290 (0.177)	0.316 (0.180)
Ln(Project budget)	0.363** (0.056)	0.363** (0.060)	0.362** (0.060)
Geographic distance	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Controls for Municipality	YES	YES	YES
Firm Fixed Effects	YES	YES	YES
Municipality Fixed Effects	YES	YES	YES
Municipality x Year Fixed Effects	NO	NO	NO
Year Fixed Effects	NO	YES	YES
Observations	6962	6402	6402

Note: This table presents the coefficients of regressions focused on analyzing the effects of the institutional-level policy on the relocation of resources to regions outside the Southeast region. Columns [1]-[3] display the coefficients from the panel models. All specifications include the segment of the cultural project (categorical) as a control variable. Standard errors are clustered at the firm level. Significance levels: + $p < 0.10$; * $p < 0.05$; ** $p < 0.01$.

Table 5 – Robustness tests: Alternative measures of access to cultural equipment for testing H2 and H3

	[1]	[2]	[3]	[4]	[5]	[6]
	H2b) High x Low Performers			H3b) SOEs x Private		
Post X High performers	1.643*	0.401**	0.238			
	(0.712)	(0.124)	(0.137)			
High performers X Municipality Index	-0.003					
	(0.049)					
Post X High performers X Municipality Index	-0.119					
	(0.059)					
High performers X Total cultural equipment		0.000				
		(0.000)				
Post X High performers X Total cultural equipment		-0.000				
		(0.000)				
High performers X Cultural equip. per capita			3,430.76*			
			(1,376.56)			
Post X High performers X Cultural equip. per capita			773.08			
			(3,901.25)			
Post X SOE				1.685*	0.093	0.172
				(0.663)	(0.140)	(0.127)
SOE X Municipality Index				0.139*		
				(0.061)		
Post X SOE X Municipality Index				-0.133*		
				(0.055)		
SOE X Total cultural equipment					0.000	
					(0.000)	
Post X SOE X Total cultural equipment					0.000	
					(0.000)	
SOE X Cultural equip. per capita						5,525.28
						(3,868.45)
Post X SOE X Cultural equip. per capita						-3,257.44
						(7,746.39)
Controls	YES	YES	YES	YES	YES	YES
Firm Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality x Year Fixed Effects	YES	YES	YES	YES	YES	YES
Year Fixed Effects	YES	YES	YES	YES	YES	YES
Observations	6402	6001	6402	6402	6001	6402

Note: This table presents the coefficients of regressions considering alternative measures of Low culture access. Columns [1]-[6] display the coefficients from the panel models. All specifications include the segment of the cultural project (categorical) as a control variable. Standard errors are clustered at the firm level. Significance levels: + p < 0.10; * p < 0.05; ** p < 0.01.

Table 6 – Robustness tests: Diversification, industry competition, and economic activity

	[1]	[2]	[3]	[4]	[5]	[6]
	Effects on Diversification		Effects from Competition		Effects from Economic Activity	
	High x Low Performers	SOEs x Private	High x Low Performers	SOEs x Private	High x Low Performers	SOEs x Private
High performers	0.035 (0.039)					
Post x High performers	0.028 (0.028)		0.235 (0.234)			
SOE		0.212** (0.055)				
Post x SOE		-0.045 (0.025)		0.608 (0.337)		
Competition			-0.001 (0.001)	-0.000 (0.001)		
Post X Competition			-0.001 (0.002)	0.001 (0.001)		
High performers X Competition			0.001 (0.001)			
Post X High performers X Competition			0.001 (0.002)			
SOE X Competition				0.001 (0.001)		
Post X SOE X Competition				-0.004* (0.002)		
High performers X Low culture access					0.282 (1.082)	
High performers X Ln(GDP)					-0.020 (0.048)	
High performers X Low culture access X Ln(GDP)					-0.019 (0.063)	
SOE X Low culture access						2.211* (0.890)
SOE X Ln(GDP)						0.064 (0.052)
SOE X Low culture access X Ln(GDP)						-0.136** (0.050)
Controls	YES	YES	YES	YES	YES	YES
Firm Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality x Year Fixed Effects	YES	YES	YES	YES	YES	YES
Year Fixed Effects	YES	YES	YES	YES	YES	YES
Observations	6402	6001	6402	6402	5300	5300

Note: This table presents the coefficients of regressions considering potential confounding effects influencing the main results. Columns [1]-[6] display the coefficients from the panel models. The dependent variable in columns [1]-[2] is the Blau index, while the remaining models use Ln(Invested amount). All specifications include the segment of the cultural project (categorical) as a control variable. Standard errors are clustered at the firm level. Significance levels: + p < 0.10; * p < 0.05; ** p < 0.01.

Table 7 – Marketing and ESG descriptions of the projects as potential mechanisms

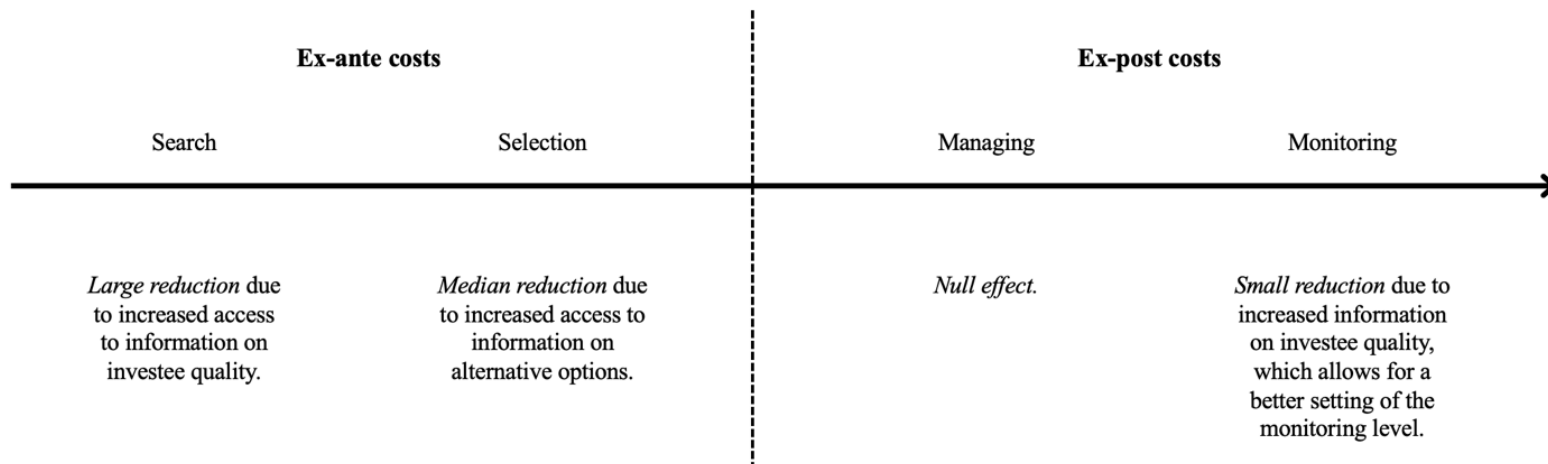
	[1]	[2]	[3]	[4]
	High X Low Performers		SOEs x For-profits	
Projects' marketing description	-2.051 (2.784)		2.128 (1.432)	
Projects' ESG description		-4.989* (2.244)		-2.652 (1.603)
Post X Projects' marketing description	-14.700 (8.254)		2.088 (5.684)	
Post X Projects' ESG description		0.518 (3.917)		2.014 (2.602)
High performers X Post	0.019 (0.104)	0.213 (0.194)		
High performers X Projects' marketing description	0.105 (3.926)			
Post X High performers X Projects' marketing description	26.005* (10.387)			
High performers X Projects' ESG description		4.465 (2.662)		
Post X High performers X Projects' ESG description		0.887 (7.127)		
SOE X Post			0.162 (0.093)	0.199 (0.166)
SOE X Projects' marketing description			-9.124 (6.273)	
Post X SOE X Projects' marketing description			1.585 (10.589)	
SOE X Projects' ESG description				1.476 (2.497)
Post X SOE X Projects' ESG description				-2.385 (7.732)
Controls	YES	YES	YES	YES
Firm Fixed Effects	YES	YES	YES	YES
Municipality Fixed Effects	YES	YES	YES	YES
Municipality x Year Fixed Effects	YES	YES	YES	YES
Year Fixed Effects	YES	YES	YES	YES
Observations	6402	6402	6402	6402

Note: This table presents the coefficients of regressions testing projects' descriptions as mechanisms. Columns [1]-[4] display the coefficients from the panel models. All specifications include the segment of the cultural project (categorical) as a control variable. Standard errors are clustered at the firm level. Significance levels: + p < 0.10; * p < 0.05; ** p < 0.01.

APPENDIX

APPENDIX A – POLICY EFFECTS OVER COSTS

Figure A1: Institutional-level policy effects over costs throughout the investment timeline.



APPENDIX B – VERSALIC SCREEN

Figure A2: Example of information accessed via Versalic

BLUE MAN GROUP SEASON - SAO PAULO - 2013

PRONAC:
130496

Mechanism:
Patronage

Project year:
2013

Situation:
Archived at the request of the proposer

Segment:
Theater Presentation or Performance

Framework:
Article 18

End date:
12/31/2014

Area:
Performing Arts

Municipality/State:
Sao Paulo-SP

Start date:
07/01/2014

Proposed value:
R\$ 7,027,500.00

Requested amount:
R\$ 7,027,500.00

Amount collected:
R\$ 0.00

Approved value:
R\$ 6,433,000.00

Other sources:
R\$ 0.00

Project value:
R\$ 6,433,000.00

Associated lists

Distribution:
1 item.

Disclosure:
18 items.

Attached documents:
5 items.

Attached brands:
0 items.

Displacements:
0 items.

See list

See list

See list

See list

See list

Extension:
1 item.

Tax report:
0 items.

Negative certificates:
3 items.

Readjustments:
0 items.

Capital goods relationship:
0 items.

See list

See list

See list

See list

See list

Proponent

Proponent:
BLUE MAN BRAZIL ENTERTAINMENT LTDA.

CPF/CNPJ:
15.604.475/0001-64

Proponent

Incentives

Captures:
0 items.

Incentives

Collections

Suppliers

Payment relationship:
0 items.

Suppliers

Products

Summary

Stage

Goals

Synopsis

Justification

Datasheet

Technical specification

Environmental impact

Democratization

Acc >

A 7-month production and season with 104 performances of theatrical/musical performances developed exclusively for Brazil by Blue Man Group. The goal is to create a show that communicates with the general population, is non-elitist, and is palatable to any social class, age group, and ethnic group. A show of the highest artistic quality that makes people reflect on their role in society and reconsider their perspectives on life in a collaborative and inclusive context.

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APPENDIX C – SARIMA MODEL FIT

I deploy a Seasonal AutoRegressive Integrated Moving Average (SARIMA) model to conduct a synthetic forecast analysis on corporate philanthropic investments from 2017 to 2021, the years following policy implementation. I use monthly investment data to identify the optimal model fit, focusing on the aggregate trend of corporate philanthropic investments over the initial 66 months (January 2011 to December 2016) of the series. After fitting the SARIMA model, I compare forecasted trends with actual data between January 2017 and December 2021 to assess the policy's impact on aggregate philanthropic investments in the Brazilian cultural sector. As indicated in the Empirical Context section, this analysis suggests the policy did not significantly influence the ex-ante observed trend, with actual values consistently aligning with predictions and even displaying lower annual investment peaks compared to the average expected trend. I acknowledge that this analysis is not definitive for causal identification, but it at least provides anecdotal evidence of the policy's null effects on the attraction of new investments.

The selection of SARIMA was based on evident seasonality in the time series (Tsai, 2005), likely stemming from firms opting to make investments in December, when tax calculations are clearer and, thus, allow for a better estimation of the volume of investments to be made through the program. Model estimation and selection involved evaluating AIC (Akaike Information Criterion) and BIC (Bayesian Information Criterion) across various potential models, with the best fit identified for the model ARIMA(0,0,0)(0,1,0)[12], which is described in more detail in Table A1.

Table A1 – Best-fit ARIMA model

ARIMA(0,0,0)(0,1,0)[12]	
Series: 2011 - 2016	
Sigma^2	1.97E+15
AIC	2,307.20
BIC	2,309.29
Ljung-Box test (p-value)	0.85
Observations	132

A closer inspection of model fit reveals that removing seasonality from the data effectively eliminates both autocorrelation and partial autocorrelation, as illustrated in Figure A3 and validated through the Ljung-Box test ($Q^* = 8.56$, $p > 0.10$). Furthermore, residual analysis, depicted in Figure A4, indicates that residuals exhibit characteristics akin to white noise. Together, these findings indicate that the comparison between forecasted and actual values in the Empirical Context section relies on the most suitable model available for this time series.

Figure A3 – Residuals’ autocorrelation analysis from ARIMA(0,0,0)(0,1,0)[12]

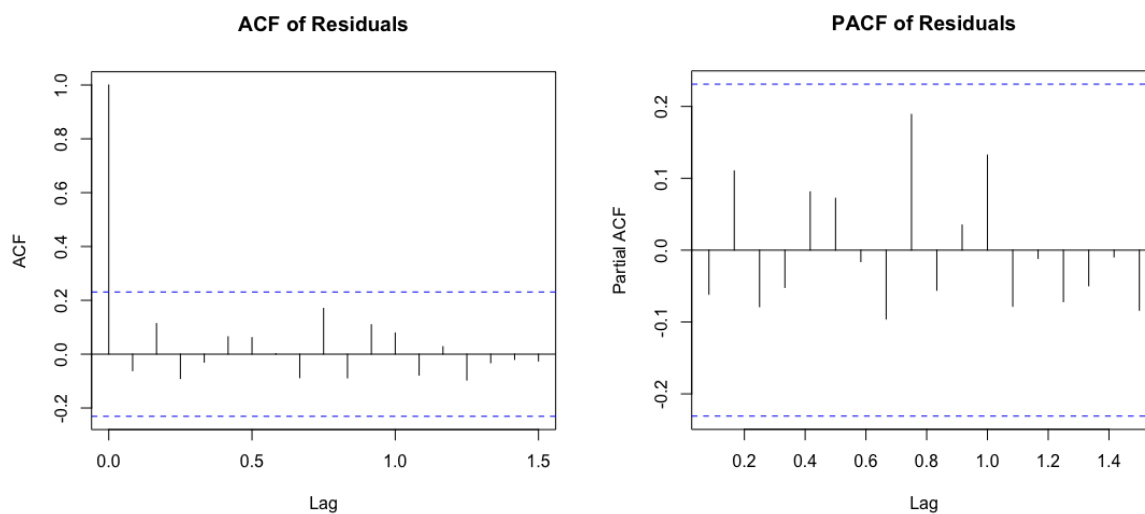
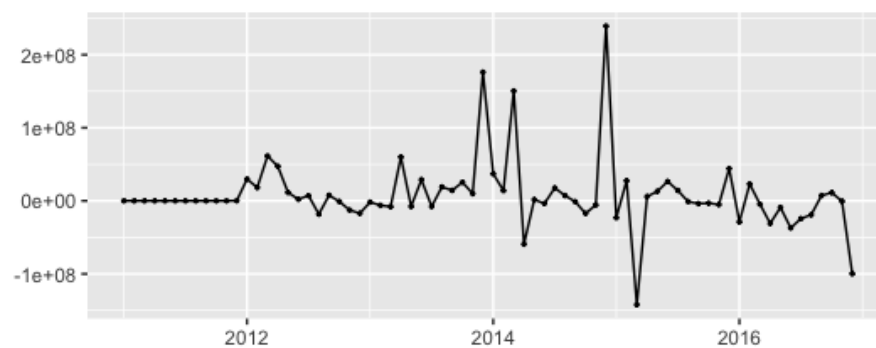


Figure A4 – Residuals from ARIMA(0,0,0)(0,1,0)[12]



APPENDIX D – ROBUSTNESS TESTS

Table A2 – Robustness tests: effects from H2 and H3 excluding industries without competitors

	[1]	[2]	[3]	[4]	[5]	[6]
	High x Low Performers		SOEs x Private		Triple Interaction	
	Adequate access	Low access	Adequate access	Low access	High Performers	SOEs
Post X High performers	0.186 (0.139)	0.520* (0.198)			0.161 (0.139)	
Post X SOE			0.045 (0.124)	0.431* (0.190)		0.057 (0.129)
High performers X Low culture access					-0.146 (0.141)	
Post X High performers X Low culture access					0.454* (0.176)	
SOE X Low culture access						-0.425** (0.150)
Post X SOE X Low culture access						0.311* (0.146)
ROA	-0.018** (0.006)	-0.005* (0.002)	-0.018** (0.006)	-0.005** (0.002)	-0.008** (0.002)	-0.008** (0.002)
Blau Index	0.277 (0.185)	0.505 (0.451)	0.291 (0.187)	0.552 (0.459)	0.333 (0.191)	0.339 (0.192)
Ln(Project budget)	0.347** (0.056)	0.433** (0.089)	0.347** (0.056)	0.430** (0.088)	0.370** (0.061)	0.368** (0.060)
Geographic distance	-0.000 (0.000)	-0.000** (0.000)	-0.000 (0.000)	-0.000** (0.000)	-0.000 (0.000)	-0.000 (0.000)
Firm Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality x Year Fixed Effects	YES	YES	YES	YES	YES	YES
Year Fixed Effects	YES	YES	YES	YES	YES	YES
Observations	4464	1854	4464	1854	6343	6343

Note: This table presents the coefficients of regressions focused on providing robustness to the results obtained in testing hypotheses 2 and 3 by observing a subsample of the data in which industries with only one firm are excluded. Columns [1]-[6] display the coefficients from the panel models. All specifications include the segment of the cultural project (categorical) as a control variable. Standard errors are clustered at the firm level. Significance levels: + p < 0.10; * p < 0.05; ** p < 0.01.

Table A3 – Robustness tests: effects from H2 and H3 excluding entrants post 2016

	[1]	[2]	[3]	[4]	[5]	[6]
	High x Low Performers		SOEs x Private		Triple Interaction	
	Adequate access	Low access	Adequate access	Low access	High Performers	SOEs
Post X High performers	0.167 (0.137)	0.503* (0.197)			0.147 (0.138)	
Post X SOE			0.052 (0.121)	0.441* (0.192)		0.061 (0.127)
High performers X Low culture access					-0.143 (0.141)	
Post X High performers X Low culture access					0.436* (0.175)	
SOE X Low culture access						-0.424** (0.149)
Post X SOE X Low culture access						0.308* (0.144)
ROA	-0.018** (0.006)	-0.006** (0.002)	-0.018** (0.006)	-0.006** (0.002)	-0.008** (0.002)	-0.008** (0.002)
Blau Index	0.236 (0.175)	0.567 (0.433)	0.244 (0.177)	0.624 (0.439)	0.299 (0.181)	0.309 (0.181)
Ln(Project budget)	0.341** (0.056)	0.431** (0.089)	0.341** (0.055)	0.428** (0.088)	0.366** (0.060)	0.364** (0.060)
Geographic distance	0.000 (0.000)	-0.000** (0.000)	0.000 (0.000)	-0.000** (0.000)	-0.000 (0.000)	-0.000 (0.000)
Firm Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality Fixed Effects	YES	YES	YES	YES	YES	YES
Municipality x Year Fixed Effects	YES	YES	YES	YES	YES	YES
Year Fixed Effects	YES	YES	YES	YES	YES	YES
Observations	4443	1849	4443	1849	6313	6313

Note: This table presents the coefficients of regressions focused on providing robustness to the results obtained in testing hypotheses 2 and 3 by observing a subsample of the data in which new entrants post-2016 are excluded. Columns [1]-[6] display the coefficients from the panel models. All specifications include the segment of the cultural project (categorical) as a control variable. Standard errors are clustered at the firm level. Significance levels: + p < 0.10; * p < 0.05; ** p < 0.01.

Table A4 – Dictionaries for Private-value and Social-value orientations

Variable	Words
EVO (71 words or word roots)	affluen*, asset*, buy*, capital, cash, client*, contract*, cost*, cost-effective, customer*, earn*, economic*, economy, efficien*, employ*, expan*, fee, fees, financ*, fund*, grew, grow*, high-yield, hire*, hiring, income, interest, invest*, job*, lend*, livelihood, loan*, market*, monetary, money, money-saving, money-transfer, output, paid, pay*, performance, producti*, profit*, prosper*, purchas*, renovat*, rent, rental*, rented, renting, rents, repaid, repay*, return, revenue*, rich*, salar*, sale*, saving*, shareholders, sold, staff*, stipend*, transact*, turnover*, valuation, wage*, wealth, work*, worth, yield*
SVO (108 words or word roots)	<i>Social:</i> accountable, benefice*, beneficiar*, benefit*, benevolen*, brotherhood, care*, caring, charit*, civic, class, classes, communit*, compassion*, concern, concerned, cooperat*, cultivating, development, educat*, empower*, equal, equality, familial, families, family, freedom*, graduation, happiness, happy, harmony, harvesting, harvests, health*, help*, humanity, humankind, immuniz*, independen*, joy, justice, kind*, learn*, liberat*, liberty, life, mankind, partnership*, peace*, prosper*, reading, responsibilities, rights, social, societ*, SROI, success, support*, teach*, tender*, trustworth*, virtu*, welfare, wellbeing, well-being, wisdom <i>Environmental:</i> air, biofertilizer*, biogas*, carbon, climate, conservation, conserve, conserved, conserves, conserving, contaminat*, eco-activis*, eco-friendly, ecolog*, emission*, emit*, energy, energy-efficien*, environment*, erod*, erosion, externalit*, fertilis*, fertiliz*, greenlife, landscaping, natural, pollut*, preserv*, purifi*, recharge*, re-charge*, recycl*, salvag*, solar*, sustainability, sustainable, toxic*, unpollut*, unspoil*, wast*, water*

Note: This table is a replica of the one developed by Moss et al., 2018. For the application to the current case, all terms were adapted to accommodate the Portuguese language.

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