
Murphy Oil and the El Dorado Promise: A Case of Strategic Philanthropy

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This paper illustrates the use of corporate strategic philanthropy by applying the actions of one company, Murphy Oil Corporation, to the model of strategic philanthropy proposed by Porter and Kramer (2002). It is shown how Murphy Oil Corporation's creation of the El Dorado Promise college scholarship program enhances the company's factor conditions within its competitive context and is an act of strategic philanthropy.

Key Words: Strategic philanthropy, Strategic management, Corporate philanthropy, Murphy Oil Corporation, El Dorado Promise

Introduction

This paper illustrates the use of corporate strategic philanthropy by applying the actions of one company, Murphy Oil Corporation, to the model of strategic philanthropy proposed by Porter and Kramer (2002). Porter and Kramer (2002) argue that most charitable giving by corporations today involves financial contributions given in hopes of generating goodwill instead of “being tied to well-thought-out social or business objectives” (p. 58). “While it is true that a growing number of companies aim to make their giving ‘strategic,’ few have connected giving to areas that improve their long-term competitive potential” (Porter & Kramer, 2002, p. 67). In strategic philanthropy, however,

...corporations can use their charitable efforts to improve their *competitive context*—the quality of the business environment in the location or locations where they operate. Using philanthropy to enhance context brings social and economic goals into alignment and improves a company's long-term business prospects... (Porter & Kramer, 2002, p. 58).

Strategic Philanthropy

Toqueville (1835) suggested that it was in any individual's best interest to act in the best interest of the community because the community, in turn, will serve the needs of the individual. This philosophy is

at the heart of corporate philanthropy. The terms enlightened self-interest, focused giving, and strategic philanthropy are often used interchangeably to describe a corporate philanthropic approach that is strategic in nature, that is, the philanthropic activities of the corporation provide a benefit to both the recipient and the corporation. This approach to corporate philanthropy seeks to combine societal interests with corporate interests in any given philanthropic act and expects that the philanthropic activity will benefit the organization in the future and will create a healthy community in which to operate and help ensure their long-term survival (Ricks & Williams, 2005).

There are numerous definitions as to what makes corporate philanthropy strategic in nature. Ricks and Williams (2005) define strategic corporate philanthropy as

... an activity of a firm that involves choosing how it will voluntarily allocate resources to charitable or social service activities in order to reach marketing and other business related objectives for which there are no clear social expectations as to how the firm should perform (p. 149).

“Strategic corporate philanthropy explicitly links its philanthropic strategy to a corporate objective” (Ricks & Williams, 2005, p. 149). Bruch and Walter (2005) define strategic philanthropy as giving which

applies the same business management and logic to philanthropic decisions as is used in making business decisions. This approach leads to the greatest benefits for both the stakeholders and the corporation. They suggest that philanthropic activities within this realm can also be used as a testing-ground for potential commercial activities of the corporation (Bruch & Walter, 2005).

Porter and Kramer (2002) suggest that philanthropy is strategic only when corporations use charitable efforts to improve competitive context – the quality of the business environment in the location or locations where they operate (p. 58). They outline four areas (Table 1) that make up the competitive context: factor conditions, demand conditions, context conditions, and related/supporting conditions. *Factor conditions* refer to the inputs needed to conduct business. These inputs include human resources, capital resources, physical infrastructure, administrative infrastructure, information infrastructure, scientific and technological

infrastructures, and natural resources. *Demand conditions* refer to needs of customers and include sophisticated customer demands, which allow the company to innovate for future needs of customers, and the size of the market. *Context for strategy and rivalry conditions* refer to the context within which the company operates. The context includes rivalry with competitors and the presence of policies and incentives which govern competition. *Related/supporting industry conditions* refer to the presence of others in the company’s supply chain and related businesses and whether they constitute a cluster. Within each of these areas, companies should examine where a company’s investment in social conditions can lead to economic benefits for the company; this is the area that constitutes strategic philanthropy. Bruch and Walter (2005) state that “only philanthropic activities that both create true value for the beneficiaries and enhance the company’s business performance are sustainable in the long run” (p. 50).

Table 1. Dimensions of the Competitive Context (Adapted from Porter, M. & Kramer, M., 2002).

<p style="text-align: center;">Factor Conditions</p> <p>Inputs needed to conduct business Human resources Capital resources Physical infrastructure Administrative infrastructure Information infrastructure Scientific & technological infrastructures Natural resources</p>	<p style="text-align: center;">Demand Conditions</p> <p>Needs of customers Sophisticated customer demands Innovation for future Local demand in specialized segments</p>
<p style="text-align: center;">Context for Strategy and Rivalry</p> <p>Presence of policies and incentives Presence of local competition</p>	<p style="text-align: center;">Related/Supporting Industry Conditions</p> <p>Presence of local suppliers and companies in related industries Presence of clusters of companies within the same industry</p>

Background of Murphy Oil and the El Dorado Promise

Murphy Oil Corporation, headquartered in El Dorado, Arkansas, made a generous scholarship donation to students in the El Dorado school system. In January 2007, it was announced that Murphy Oil Corporation would give \$50 million to a scholarship program for local students.

While generous by any standard, we will examine how this philanthropic act is indeed strategic. We first begin with a discussion of the Kalamazoo Promise, the program after which Murphy Oil’s strategic philanthropy was modeled. The Promise scholarships, in general, have already served as a model to at least a dozen towns and cities (W. E. Upjohn Institute, 2007). The impact of these programs will be unique to each town and city.

Kalamazoo, Michigan

Kalamazoo, Michigan has an estimated city population of 77,145, an estimated county population of 240,720, and approximately 31.2 percent of the population has a college diploma (U. S. Census Bureau, 2008a). The city is located within a 45-75 minute drive of two larger metropolitan areas: Grand Rapids and Lansing. Kalamazoo has four institutions of higher learning, four professional sports teams, and is currently listed 148th in Best Places for Business and Careers (Forbes, 2008). In 1998, Kalamazoo was listed in Money magazine's Best Places to Live (Money, 1998) and in 2005 was listed on Sperling's Best Places to Live (Sperling, 2005). Kalamazoo is also located in what is termed the *Rust Belt*, an area of the country affected by waves of automotive plant closings and the loss of thousands of manufacturing jobs. The loss of companies and employment has left the city with a depleted center and a poverty rate of 25 percent (Prichard, 2006).

The Kalamazoo Promise

In an effort to revitalize the city, in November 2005, a group of anonymous donors created The Kalamazoo Promise, which offered full college scholarships to students graduating from Kalamazoo schools who maintain C averages (Samilton, 2005). The payments range from 65 percent (for students spending a minimum of 4 years in the school system) to 100 percent (for students spending all years in the school system). The intent of the program is to stimulate educational reform and economic/community development by investing in the future of the young people of Kalamazoo.

Early Results of the Kalamazoo Promise

Just one week after the announcement, Western Michigan University, located in Kalamazoo, followed the offer with a guarantee of room and board to Promise scholarship students (Western Michigan University, 2005). Real estate developer Allen Edwin Homes invested \$7-10 million to build homes in the boundaries of the Kalamazoo Public School district for up to 500 families (Reynolds, 2006).

Data being maintained by the W. E. Upjohn Institute (2007) shows the following early results of the Kalamazoo Promise:

- New families from 30 states and 50 other Michigan communities have relocated to the city.
- Through August 1, 2006, home prices and home sales both were up 6 percent over the previous year, while in the region prices were up just 1 percent and sales dropped 4 percent.

- Enrollment in the K-12 school district was up by more than 900 this past fall — twice what was estimated — a gain of nearly 10 percent in a school district that had lost 2,000 students over 10 years.
- In 2004, 265 K-12 students left the district between the first and second semesters. Last year, just 21 left.
- Of 400 high school graduates eligible for the scholarships, 350 applied for and used them for college in fall.
- Of those 350 scholarship users, 70 percent enrolled at the local state school — Western Michigan University.
- Nationally, 57 percent of black high school graduates went to college in 2005. Last year, 82 percent of black male high school graduates and 93 percent of black female high school graduates in Kalamazoo went to college using the Promise scholarship.

El Dorado, Arkansas

El Dorado, Arkansas is a small rural township with an estimated population of 20,341 (U.S. Census Bureau, 2007), an estimated county population of 44,170, and less than 15 percent of the population possessing a college diploma (U.S. Census Bureau, 2008b). The town is located within a 2-2.5 hour drive of two larger cities: Monroe, LA and Texarkana, AR/TX. It is located near two larger metropolitan areas: Shreveport, LA and Little Rock, AR. El Dorado has one institution of higher education, one art center, and two movie theaters. Manufacturing is the primary industry providing employment (approximately 31% of the country's total employment) and El Dorado has recently lost jobs with the closing of two plants.

Murphy Oil Corporation

Murphy Oil Corporation, a Fortune 500 company, is headquartered in El Dorado, Arkansas, and is the nation's ninth-largest oil company. Claiborne Deming is President and CEO of Murphy Oil Corporation. Murphy Oil employs approximately 350 employees in El Dorado (it has 7296 employees worldwide). Employment at the El Dorado corporate headquarters primarily consists of professional jobs in corporate functions for which college degrees are necessary. The company is vertically integrated across its entire value chain with gas and exploration activities worldwide, refining and marketing activities in the United States and the United Kingdom, retail sales in Canada, and retail gasoline outlets located at Wal-Mart Supercenters and Sam's Clubs nationwide.

Murphy Oil Corporation is an oil and gas exploration and production company with worldwide operations. The company has refining and marketing operations in the United States and the United Kingdom. They also have

natural gas exploration and production operations in Canada. Murphy Oil is the holding company of four wholly-owned subsidiaries: Murphy Exploration and Production Company, Murphy Oil USA, Inc., Murphy Oil Company, Ltd., and Murphy Eastern Oil Company.

Part of Murphy Oil Corporation's corporate social responsibility focus is to strengthen the communities in which they operate and the majority of its contributions go towards education. Murphy Oil was named one of the 50 Best Manufacturers for 2005, 2006, and 2007 (Industry Week, 2007).

The El Dorado Promise

Following the Kalamazoo Promise example, in January 2007, Murphy Oil Corporation announced that it would donate \$50 million to a scholarship program for local students, creating the El Dorado Promise program. The program is expected to provide scholarships to students for the next 20 years. The El Dorado Promise is the only Promise program in the United States solely underwritten by a public corporation. Eligibility and tuition payment mirrors the Kalamazoo Promise program, except that the monies are not limited to in-state colleges and universities. Students attending local schools from kindergarten through 12th grade will receive scholarships for full college tuition. Scholarships gradually reduce, based upon number of years enrolled in the school district, to 65 percent for students attending local schools only in the past four years (from 9th through 12th grades). Within months of announcing the El Dorado Promise, Henderson State University offered to match the scholarship funds for students to use for room and board. Southern Arkansas University allows any student on a Promise scholarship who also qualifies for an SAU scholarship to use the additional money for room and board.

Expectations are high for the impact of the El Dorado Promise. Murphy Oil Corporation representatives have stated that they hope the Promise program will help revitalize the city, making it easier for Murphy Oil Corporation to recruit people (Reed, 2007); help keep young people in school (Morse, 2007); increase the number of students who attend college (Zeman, 2007); attract business investment (Morse, 2007; Zeman, 2007); help rebuild the company's talent pool (Barnes, 2007); and create better jobs for students to return to after college graduation (Zeman, 2007).

Residents of El Dorado have equally high expectations. For example, the President of the local Chamber of Commerce stated, "What they experienced up there (in Kalamazoo, Michigan) — property values went up, home construction increased and they got 3,000 new residents the first year — we full expect the same thing to happen

here" (Reed, 2007). The local school district also hopes the Promise will attract new families to the area and bring new students to the school (Reed, 2007). In fact, the high school Principal expects an "academic boom" from existing students working harder and from the influx of new students expected to enter into the school district (Reed, 2007).

Early Results of the El Dorado Promise

Although the outcome of the El Dorado Promise is yet to be determined, some information is becoming available.

- 205 of 260 graduating 2007 seniors signed up for the Promise scholarship program; an 18 percent increase in college bound seniors over last year's graduating class. The goal is to get 90 percent of graduating seniors in the scholarship program (Hillen, 2007).
- There was a net increase of 140 students (3 percent) in school enrollment for the 2007-2008 school year, reversing a 20-year downward trend (El Dorado Promise, 2008).
- Kindergarten enrollment for the 2007-2008 school year experienced an increase of nearly 12 percent (El Dorado Promise, 2008).
- As of October 2007, home sales within the county were up nearly 4 percent despite a statewide decrease (El Dorado Promise, 2008).
- As of October 2007, the average home selling price was up 1.71 percent, surpassing the statewide average (El Dorado Promise, 2008).

Murphy Oil and Strategic Corporate Philanthropy

The El Dorado Promise is the only Promise program solely underwritten by a public corporation. This makes it unique from other Promise programs and worthy of further examination from a strategic management and strategic philanthropy viewpoint. According to the Murphy Oil Corporation website, one of its goals is strengthening the communities within which they operate. Although Murphy Oil Corporation's El Dorado Promise was not linked to a specific corporate objective, nor has it had an immediate impact on its bottom line, it is anticipated that the Promise will strategically improve factor conditions within the company's competitive context. Factor conditions refer to the inputs required to conduct business.

In order to make philanthropic giving more strategic, it is shown how Murphy Oil has followed the steps outlined by Porter and Kramer (2002). The steps are summarized in Table 2.

Table 2. Steps to make corporate philanthropy more strategic

<ol style="list-style-type: none"> 1. Identify constraints within competitive context and target areas for philanthropy. 2. Analyze fit with current philanthropic activities and within competitive context. 3. Maximize value and impact by: <ol style="list-style-type: none"> a. Selecting the best grantee, b. Signaling action to other funders, c. Improving the performance of grant recipients, and d. Advancing knowledge and practice. 4. Gain involvement of others within the local cluster of related and supporting industries. 5. Track, measure, and evaluate results.

Adapted from Porter, M. & Kramer, M. (2002).

1. Identify constraints and target areas – Corporations must identify constraints within the competitive context and target the areas where philanthropic activities should be focused. Murphy Oil identified problems in recruiting people to the small community, in maintaining a talent pool from which to hire, and identified the need to economically revitalize the community.
2. Analyze fit – Companies should identify how current philanthropic activities fit this new paradigm for strategic corporate philanthropy. Murphy Oil saw its giving to support communities (particularly education) as a natural fit for becoming more strategic in its philanthropic efforts.
3. Maximize value and impact – Companies should identify if the new program can incorporate the following four criteria for maximizing value and impact.
 - a. Selecting the best grantee – in this particular case, the El Dorado Promise will be administered by the El Dorado Public School system, assumed to be the best source to oversee implementation of the El Dorado Promise scholarship program.
 - b. Signaling other funders – the donation lends credibility to the recipient and can signal action to others. This is especially useful when a cluster exists and they can all support one cause. Although no cluster exists in El Dorado for Murphy Oil’s related/supporting industries, its act has signaled others to action.
 - c. Improving the performance of grant recipients – no data has yet been collected to indicate whether the El Dorado public school system is improving the quality of their education or if student achievement is higher. However, the school system has seen an increase in the number of students who are college-bound (Hillen, 2007).
 - d. Advancing knowledge and practice – “The most powerful way to create social value... is by developing new means to address social problems and putting them into widespread practice” (Porter & Kramer, 2002, p. 66). This program is certain to increase the number of individuals attending college, as already indicated in early results (Hillen, 2007). Additional social problems that Murphy Oil hopes to address are population shrinkage, declining industry in the community, and rising unemployment. In essence, the Promise program is an economic revitalization effort. In order to advance knowledge and practice, we have to ask if this is a viable model for economic revitalization for a community and, specifically, if this is a viable model for improving the competitive context of a company.
4. Gain involvement of others in the cluster – Companies must increase the strength of the initiative by gaining involvement of other companies in their cluster of related and supporting industries. Although other companies may benefit from a company’s strategic philanthropy (through enhancement of the competitive context), it does not erode the benefits the company will receive in areas such as image, reputation, and relationships (Porter & Kramer, 2002). While a cluster of supporting/related industries does not exist within Murphy Oil’s geographic region, two state universities have committed to additional funding for beneficiaries of the El Dorado Promise scholarship fund.
5. Measure results – Companies must track, measure, and evaluate results of philanthropic activities as they would other business activities. Murphy Oil and the El Dorado Promise Scholarship Office have organized a task force for this purpose and longitudinal data will be collected (Magen Parker, personal communication, June 12, 2007). Data collected the first year following the announcement of the program are positive (El Dorado Promise, 2008).

Conclusion

This paper has illustrated the example of one company's strategic corporate philanthropy. Porter and Kramer (2002) suggest that corporations can use their philanthropic giving in a more strategic nature in order "to improve their competitive context—the quality of the business environment in the location or locations where they operate" (Porter & Kramer, 2002, p. 58). Corporate philanthropy which is strategic in nature can improve a company's long-term business prospects (Porter & Kramer, 2002).

Porter and Kramer (2002) identify four areas which make up the corporation's competitive context: factor conditions, demand conditions, context for strategy and rivalry, and related/supporting industry conditions. They also outline four areas in which a corporation can increase the value and impact of its strategic philanthropy activities and they further present five steps to select and carry out a corporate strategic philanthropy initiative.

Murphy Oil Corporation recently created the El Dorado Promise, a scholarship fund of \$50 million for local students to attend the college or university of their choice. Company executives expect that the program will revitalize the city by attracting business investment and development, make it easier to recruit people, and allow the company to rebuild its talent pool. This investment improves the factor conditions (the inputs needed to conduct business) within its competitive context of the company and exemplifies strategic corporate philanthropy. Furthermore, the company followed Porter and Kramer's (2002) suggested steps in selecting and implementing their strategic corporate philanthropy program.

Porter and Kramer (2002) conclude:

If systematically pursued in a way that maximizes the value created, context-focused philanthropy can offer companies a new set of competitive tools that well justifies the investment of resources. At the same time, it can unlock a vastly more powerful way to make the world a better place (p. 68).

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