CORPORATE GIVING IN THE SOUTH AFRICAN CONTEXT

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Thanks to the organisers of the conference for the opportunity to participate and share the findings of our study into corporate giving in South Africa co-ordinated by the Centre for Civil Society at UKZN.

Note I was fortunate to be working with Steven Friedman on this project, for which three papers were written:

- *New whims for old?: Corporate giving in SA*
- *The colour of giving: Racial identity and corporate giving*
- *Like chalk, like cheese: Professionalism and whim in corporate giving at Anglogold Ashanti and Pick 'n Pay*

The overall purpose was to try to understand the decision-making processes, values and assumptions which shape CSI. In this paper, I'm going to pick out key themes/trends/debates; those interested in the fuller papers can access them on the CCS website.

We chose a qualitative methodology, largely because quantifying what companies is more difficult than many in the field tend to assume. Attempts have been made to quantify CSI. For example, the business-friendly Centre for Development and Enterprise conducted 2 surveys – one among 75 of the largest corporations, the second among a random sample of 545 businesses of all sizes. The conclusion was that business probably spent R4-5bn on CSI, including sport in the late 1990s. On average, the major corporations were spending 1,3% of after tax profits on CSI, apparently higher than the US (0,9% in 1996) and Canada (0,8% in 1994). This was notable, CDE argues, since the culture of structured giving around tax concessions found in some countries is not yet entrenched in SA.

In 2004, the exercise was repeated by the SA Foundation, using a sample of 25 companies. CSI amounted to 0,13% of gross income and just under 0,87% of net profit. Other calculations put CSI at about R4bn, including non-cash contributions. A consultancy, Trialogue, estimates the total CSI for 2004 at R2,4bn, a nominal 2% increase over the previous year.

The studies devoted considerable effort to generate accurate accounts of spending in the companies they sampled. But calculations throughout the economy can only be estimates since there is no way of knowing whether the data from a sample of companies can be reliably said to provide information for all. Trialogue, for example, leaves it to the corporate to decide what is CSI ensuring that no consistent criteria are used.

Corporate giving does not mean the same thing to all companies – some still include sponsorship of the local golf day. Discussions on CSI tend to assume that the dedicated CSI fund – which many corporate operate – is the sole source of funding. But CSI budgets or foundations only account for part of giving in many corporates. Budgets under control over the CEO or other company officials can be used to meet requests for funding. Our case study further illuminated the pitfalls of attempts to quantify CSI. AnglogoldAshanti convened a social summit in 2003, one purpose of which was to try to gain a sense of the total amount the company spends in society. If social investments within companies are so diverse that a single corporation adopts the summit approach to determine the quantity and scope of its own CSI, it seems extremely unlikely that it will be possible to offer definitive estimates of spending in an entire economy. Companies which devolve CSI to regional branches/office have a difficult time adding up total spend.

Another grey area is non-monetary giving. CSI practitioners insist that businesses contribute more than funding to meeting social needs: time and effort, expertise, knowledge, relationships, and/or the ability to innovate and get things done. Measuring this is fraught with difficulty.

CSI estimates are also biased towards listed companies because little hard information is available on giving by small and medium enterprises – important contributors, often spending their money directly towards local level interventions, for example, money for books prizes/trophies at schools, soup kitchens, HIV/Aids orphanages. This form of giving is important but different.

Lastly, while it might be logical to expect exaggeration of company spend, CSI analysts argued that understating can be as much of a distortion.

Simply put, the judgement of one interviewee that 'quants are not doable' is hard to fault.

Drivers of corporate giving

Corporate giving has evolved out of an interplay of both external pressures and internal influences.

Perhaps the most frequently mentioned motive is the notion that while business was not responsible for creating apartheid in SA, self-interest dictated that it take social responsibility seriously. The emphasis of education and skills development is a product of enlightened self-interest.

A further motive mentioned by interviewees was the desire to head off regulation. Litigation in US courts against companies accused of benefiting from apartheid was mentioned as a driver for looking beyond the factory gate. Our interviewees noted that in the mining sector, the stakes are high as licenses to operate depend on satisfying a Mining Charter. Pressure to choose projects on whether they impress political holders and achieve the required scorecard points is greater than perhaps perceptions of development impact.

Many corporates use CSI as a lever to maintain influence in a democratic SA. The 1994 democratic elections meant that stakeholders changed, relationships between stakeholders changed too, government had very different people in it. For some, corporate giving was used as a lever to help companies negotiate this change.

As Godsell observes, 'in most ethnically divided societies…corporations and retail businesses are owned and managed by individuals belonging to an ethnic minority.' SA is no exception. Most companies' relationship to society and its governing elite make their unusually vulnerable to special pleading or a personalised appeal. Most are white owned businesses who are considered by many to have benefited from apartheid and are therefore under some pressure to show they are committed to a democratic SA. This raises the stakes of companies saying 'no' to politicians and activists.

Some of this type of giving is typified by the 'Madiba school' – schools built at the request of former president Nelson Mandela. Very few respondents saw these schools as developmental, but most saw them as inevitable since some political figures could not be ignored perhaps for fear of appearing to disrespect national icons. It seems that even the most elaborate CSI policy finds it hard to withstand an appeal from an icon such as Madiba.

Of course, black businesses have less reason to demonstrate their credibility than white owned companies – they cannot be accused of benefiting from apartheid. But this does not mean they are less immune to pressure, relations between government and black business leaders are not always harmonious. For example, President Mbeki has criticised the 'greed' of the new black economic elite. The bonds between the two groups may exceed their differences, but this does not mean there are no differences. Some interviewees pointed to the fact that social inequality could come back to haunt black business people. Mounting public criticism of the current stripe of BEE on the grounds that it enriches only a few seems to be creating a climate in which black-owned businesses are unlikely to feel that the fact that they are owned by the previously disadvantaged exempts them from social responsibility.

Global pressures were also cited as drivers for giving. SA companies who move their primary listings abroad were said to have more focus on 'soft' issues. Foreign corporates who are forced to live up to global reporting standards – often spurred by scrutiny and influence of energetic NGOs – are said to have prompted larger local firms to adapt. While some interviewees felt that SA NGOs are a bit slow off the mark in this regards, the success of the anti-apartheid campaign in the 1980s illustrates how vulnerable firms can be to public pressure on human rights abuses. Evidence suggests that the impact left by the anti-apartheid campaign still influences business responses.

There is now a JSE Sustainability Index based on the FTSE4Good in London in response to an international trend towards greater social accountability by business.

CSI can also be seen as a way of building a good brand and has been ingrained in the culture of some companies. Key gains are extending brand recognition and reputation enhancement. A joke that does the rounds in SA is that R50 000 is spent saving the dolphins and R5 million to advertising that you've saved them.

But if CSI is meant to enhance business' reputation for philanthropy, it seems not to have succeeded. A survey conducted as part of the broader giving study asked respondents to comment on the statement: 'Big companies only give as a way of advertising themselves' – two thirds agreed or strongly agreed, with just 16% rejecting it. The survey found little grassroots recognition of business as a contributor to development.

In addition to pressure and fashions in the external environment, there are also important figures within businesses. Many interviewees spoke of special individuals who were uniquely able to recognise good ideas and stressed the importance of 'gut feel', people within companies who were able to inculcate the culture of giving in companies, champion it.

Trends

There have been changes in CSI over the years as the agenda was modified by pressures and new needs:

- Prior to 1976 – funding was relatively small, despite exceptions, the latter saw giving as important to defuse radicalism and show opposition to apartheid;
- Between 1976-1990 – corporates increasingly funded initiatives to change public policy or remedy apartheid's effects – using NGOs as intermediaries became common;
- Between 1990-1994 – giving was outsourced, eg National Business Initiative, the 'cheque book mode' of giving was common, money used for development was highlighted in glossy annual reports and CSI took on a heavy marketing flavour;
- 1994-1998 – companies began to form Trusts and link CSI to business strategy, triple bottom line focus in which economic and social sustainability occupy as important a place in corporate priorities as their financial equivalent;
- 1998-2002 – a more 'professionalised' approach emerged. The Business Trust – joint initiative of some 145 companies working in partnership with the government – suggested a turn to funding within government policy; sustainability issues moved rapidly up the agenda with social responsibility maturing to become an integral part of business strategy;
- 2002 to present – 'professionalisation' trend continues with Boards and executive management seeking ways to align CSI more closely with corporate goals and strategy, 'corporate citizenship' the new catchword. Increasingly formalised procedures for managing giving have developed, rules-based systems run by professional staff. Black empowerment companies start becoming involved in CSI; also the rise of employee volunteering programmes in companies eg. Charities Aid Foundation where staff give to an organisation of their choice, often actively participating in where the money goes.

In terms of what to support, there seems to be convergence on a few fashionable topics. Education has tended to take the biggest slice, not only because of tax concessions. Spending on HIV/Aids is growing partly the result of a perceived inadequacy of government intervention in this area; also because of the impact on productivity and the operations of companies. Environmental concerns are also slowly moving up the agenda. Small business promotion is also supported as it is seen as a way to mop up unemployment and drive economic growth.

Current emphasis tends to fall quite heavily on development projects rather than attempts to influence public policy. While in the 1970s, 1980s, 1990s corporates funded a variety of organisations – the Consultative Business Movement, the Urban Foundation – which sought to promote policy change – this focus has waned since the demise of formal apartheid. In general terms, business seems to have shifted in the post-apartheid era from a concern to be seen to be pursuing change, opposing apartheid to a desire to show that it is fitting in with the new political reality. Anglogold Ashanti's decision to fund political parties in the 2004 elections indicated a revived interest in the political environment, but while it received much publicity and was considered rather daring, only a few corporates followed suit.

The arts and/or intellectual activity are currently seen as low priorities. The former is said to have suffered as a result of the desire to become more developmental. Said an interviewee, 'Once a middle class has been built through education and employment, one can begin to think about funding art. There needs to be a hierarchy of needs in social giving.' The low priority accorded to intellectual activity is a trifle concerning since this kind of activity, new ideas and information may in fact be more appropriate funding targets for business, rather than government, giving the need for intellectual enquiry not beholden to political authorities. Advocacy activities, which governments are likely to find most threatening, are in fact likely to contribute more to effective government by identifying problems and pointing to solutions.

From whim to professionalisation

The common understanding of current CSI trends can be summed up as 'beyond the chairman's whim'. Corporate giving, the story has it, was once the produce of whim, not careful assessment of need. The company chair or chief executive, moved by personal preferences or whoever they had been buttonholed by at a social event, would set the giving agenda. Now, we are told, 'professionalisation' – ensuring the decisions are based on serious consideration of development impact, company strategy, listening to beneficiaries, monitoring and evaluation – is increasingly influential, the scope for whim is being progressively reduced. The dichotomy of a whimsical past and a professional future is widely held within the CSI community.

Professionalisation has indeed brought significant advances in CSI thinking, if it is understood as serving to make CSI more considered and accountable. The problem is that the notion of professionalisation is rather vague and can all too easily be understood as the insistence that there is a superior technique available and that all can agree on what that is. How do firms determine whether those communities with which they engage do in fact speak for the beneficiaries? This is quite hard for development professionals, let alone CSI officials some of whom may be inexperienced in social dynamics. Professionalisation can also encourage the adoption of a uniform set of approaches on the grounds that they are professional.

But how does professional CSI really differ from its amateurish equivalent? Does professionalisation produce better quality CSI?

To test this, we conducted two case studies. The first examined a corporation in which deciding on what to invest in societies is widely assumed to be strategic and professional, namely Anglogold Ashanti – a gold mining company and heir to a tradition of entrusting CSI to company officials with strong social science backgrounds. Its chief executive must surely be one of the few CEOs who quotes German radical Jurgen Habermas and is also a respected analyst of the role of business in society.

By contrast, Pick and Pay's social investment is widely seen as the product of decisions by its founder, Raymond Ackerman, who has no background in social analysis and whose strong personality and preference for hands-on decision-making make him the archetypal whimsical chairman, driven by a vague notion of what will attract publicity rather than an analysis of society. PnP assiduously attempts to appeal to the average shopper rather than the political scientist or development professional.

In an annual survey of CSI reputations among corporates and non-profit organisations by Trialogue, Anglo American topped all four categories among non-profits, three of four among corporates. It has been voted top more often than any other company since the survey began. It reports its CSI in a lengthy and carefully compiled 'Report to Society'. PnP has not received a single mention in Trialogue's account and is criticised as publicity seeking.

The two examples seem tailor made to test the contrast between expertise and impulse. The studies showed that there are indeed substantial differences in the two companies' CSI ethos and processes of decision-making, but they showed too that the divide between chairman's whim and professional giving may be less clear cut than current CSI thinking assumes – and further that professional CSI may be less helpful to society than its advocates imagine.

Most important in our case studies was that the companies innovated, providing funds for projects which would otherwise not be supported. In Anglogold's case – its HIV/Aids programmes for employees and funding political parties as a contribution to strengthening democracy confirmed the corporation's reputation as a pioneer. In PnP's 'whimsical' funding of small projects – helping township youngsters to make jewellery, learn African dance, sponsoring a College of Magic which helps youth to become magicians – interventions fairly well off the beaten track but the beneficiaries of which now provide for their families with their newly found skills. While social scientists and development professionals might be more comfortable with the decision to fund political parties there is no objective criteria that can demonstrate the superiority of one over the other.

Concluding remarks

Innovation not 'professionalisation' is the most desirable goal for a CSI programme for two reasons:

1. Greater development effectiveness is far more likely to emerge by trial and error, by attempting new approaches, making mistakes and learning from these, than by the adoption of development fashion. {Because professionalisation is well-entrenched in some companies, it can reinforce bureaucratic stodginess – initiatives will be funded simply because the company has been doing it for years.}
2. Private companies can afford to experiment in a way that public institutions cannot and are thus ideally placed to try new approaches which may enrich development practices. The more CSI produces new ideas and projects, the more it penetrates the nooks and crannies where governments will not go, the more it will serve society and the goals of the businesses that initiate it. (eg, advocacy groups)

We are not suggesting that unbridled whim should dictate CSI priorities, nor are we disregarding the contribution which competent CSI professionals can make to development. Our message is more modest: we should judge CSI by whether it brings something new to society's development efforts, not by whether it fits into a mould – however sophisticated this mould may be. Companies which do the unusual and the unpopular, but are open about what they are doing and why they are doing it, are the key to responsible and developmentally useful CSI.

Thanks.