An investigation into Corporate Social Investment
in South Africa

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by
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This report is not confidential. It may be used freely by the University of Cape Town’s Graduate School of Business.

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I certify that except as noted above the report is my own work and all references used are accurately reported.

Signed: Colleen Victoria Zulich
ABSTRACT

This study evaluates the monitoring and evaluation processes of South African companies with regards to their Corporate Social Investment spending. In particular it looks at the monitoring and evaluation companies have in place when giving money away to social projects in the second, third and subsequent years.

KEYWORDS: Corporate Social Investment, companies, monitoring and evaluation, assessment, accountability, CSI practitioners
GLOSSARY

CSI: Corporate Social Investment
NGO: Non-Governmental Organization
NPO: Non-Profit Organization
B-BBEE: Broad-Based Black Economic Empowerment
CBO: Community-Based Organization
MDG: Millennium Development Goals
PDI: Previously Disadvantaged Individuals
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1. Introduction

Each year South African corporations give large amounts of money away to social causes. The money being pledged is going to projects in the hope of alleviating poverty, uplifting communities and benefiting South Africa as a whole (Trialogue, 2007). However, how is this money being tracked and monitored, and how are the relative outcomes measured? This research report looks at the social investment initiatives of South African corporations in order to establish what, if any, monitoring and evaluation criteria or procedures are used after money or ‘in-kind’ assistance has been given away.

Corporate Social Responsibility is defined by the International Organisation for Standardisation (ISO) in its draft working paper no. 26000 on social responsibility as:

“The responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development, health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with the applicable law and consistent with international norms of behaviour; and is integrated though the organization and practiced in its relationships.” (Petrini, 2008).

Corporate Social Responsibility (CSR) encompasses a broad field of work, but in essence it refers to a value system which a company adopts in order to be responsible for the environment, the community it works in and society at large.

Corporate Social Investment (CSI) is “the investments made by an organization to social causes aimed at improving social aspects of community life” (Trialogue, 2007). The Trialogue Handbook (2007) describes CSI as:

“those activities through which companies make financial and non-cash contributions to communities, organizations and individual beneficiaries for the purpose of social upliftment and welfare. CSI excludes activities undertaken with the direct or immediate aim of advancing company profits or brand equity”.

When looking at CSI within a South African context, investments by corporations tend to have a largely development theme, which is because of South Africa’s political past; for these reasons companies tend to focus on empowering and improving the lives of those previously disadvantaged (Friedman et al, 2008). CSI is also one of the seven measurable
aspects of the scorecard contained in the Black Economic Empowerment legislation (BBBEE Act 2005).

1.1 Area of study

This research report will focus on the Corporate Social Investment strategy and initiatives of large South African corporations. In particular it will look at the monitoring, evaluation and assessment processes companies use once they have given money away, as well as how they determine giving in the second, third and subsequent years.

Corporate Social Investment can be explained by the following process:
As the diagram shows, there are stages in the CSI process. This research report looks at the last five stages and in particular the “Monitoring” and “Assessment & Evaluation” processes (highlighted in bold and red).

This study is relevant because CSI spend in South Africa by the top 100 Companies amounted to more than R4.1 billion in the 2007/2008 financial year, up from R3.2 billion in the 2006/2007 financial year (Trialogue, 2008: 26). In nominal terms this is a 29 per cent increase which is significant.

1.2 Problems addressed in the study

As CSI budgets increase, corporates become more concerned with the way in which NPOs manage their funds and projects and, although there is awareness, to date monitoring and evaluation remain “relatively weak aspects of CSI practice” (Trialogue, 2007: 23). This study looks at the monitoring and evaluation criteria of large corporations in South Africa in order to determine, firstly, if they are aware of the issues of measurement, accountability and evaluation and, secondly, if they do measure their projects, what practices are in place.

Now that CSI has been formally incorporated into the BEE Codes as part of the socio-economic development element of the scorecard (Trialogue, 2008: 26), more South African companies are recognizing the value of accounting and monitoring their CSI spending. However are South African companies truly concerned with the output of their CSI initiatives? Or are they more concerned with receiving points for their BEE scorecard and gaining the marketing and public relations edge in the eyes of government, competitors and the consumer.

1.3 Scope of the study

This research report looks at Corporate Social Investment of large South African companies, and in particular their monitoring and assessment criteria for giving funding in the second, third or subsequent years. Given the large number of public listed South African companies, it is unfortunately not feasible for this study to look at all these organizations. Therefore the study will be an exploratory investigation into the CSI
practices of the companies interviewed, with the aim of finding similarities, common themes and trends.

2. Literature Review

“A Literature Review describes theoretical perspectives and previous research findings regarding the problem at hand” (Leedy & Ormrod, 2005: 64). The purpose of this Literature Review is to investigate differing ideas and perspectives relating to CSI within South Africa as well as to explore what approaches have been adopted around the world.

The Literature Review covers the history of CSI in South Africa and well as its progress over the years. Following from this, the author will look at the relevant legislation governing CSI giving in South Africa as well as the implications for companies. Finally, in order to understand how companies give money away, the concepts of monitoring and accountability will be looked at:

- Monitoring and Evaluation and in particular what monitoring is, monitoring through measurement, measurement concerns and measurement frameworks.
- Evaluation through Accountability and in particular drivers of accountability and evaluation, forms of Accountability, systems and benefits.

This Literature Review aims to give the reader a deeper understanding of CSI within South Africa.

2.1 The background of CSI

Although CSI has a relatively short history within the South African context, in the global arena CSI is not a modern day phenomenon. The idea of corporate giving has its roots in the nineteenth century when corporations were springing up throughout the industrialized world. This revolution was a direct result of legislation and in particular the enactment of the Companies Act, which gave corporations limited liability and the power to be seen as legal entities. In a sense, corporations were seen as a replacement of the feudal system: instead of the monarchs, as in the past, being responsible for the protection of their surrounding communities and serfs, companies now held the obligation of the community and its workers (Trialogue, 2007: 4).
It was during the Industrial Revolution that companies in Europe and the United States took a leading role in supporting community projects. Although many corporations at the turn of the century (and even today) choose to operate on the premise that the sole objective of a company is to maximize shareholder wealth, a few companies decided to introduce workers’ welfare, health and safety initiatives and educational programmes. These initiatives were in essence the start of Corporate Social Responsibility and Investment (Trialogue, 2008).

In 1977, the United States introduced the Sullivan Principles (Global Sullivan Principles, 2008), voluntary codes of conduct for US companies operating worldwide that included eight values to promote social, economic, and political justice. Even though South African companies were not privy to the Sullivan codes of conduct, it did attract the attention of the South African business community and awakened the philosophy of corporate social giving.

Throughout the 1980s and 1990s, during South Africa’s turbulent political and economic transition, CSI initiatives were in place but they were not a legal obligation. However, change was in the air and, from a businesses perspective, South African companies understood the need to create new alliances. In 1992, a group of South African companies joined forces with unions and advocacy groups and contributed more than R560 million towards educational programmes through the Joint Education Trust (JET). The JET was seen as an innovation business tactic as well as the beginning of Corporate Social Investment (Trialogue, 2008). JET was just the start of a long road of corporate giving in South Africa, which continued to grow and reach new levels after 1994 and today exceeds R4.1 billion.

From the start of democracy in 1994 up until 2000, South Africa grew at a rapid pace. During this period there was increased investment in core development and operating functions, although the majority of funds came from foreign direct investments\(^1\). However, South African companies were beginning to realize the important role they needed to play in restructuring and developing the country (Trialogue, 2007).

\(^1\) The European Union pledged approximately R2.5 Billion from 1996–1999; during the same period, Australia provided R48 Million each year (Trialogue, 2007)
An important milestone for CSI development in South Africa was in 2000, when at the start of the year the South African tax laws were significantly amended. This legislative amendment was ground breaking as it introduced a tax exemption for corporate giving (previously tax exemptions had only been allowed for educational initiatives). The new law had a significant impact on CSI giving in SA as it further encouraged investment and, in addition, allowed companies to invest in a variety of causes (Trialogue, 2007).

Later that same year the United Nations Millennium Summit set out the eight Millennium Development Goals, which include eradicating poverty, improving education and combating HIV/AIDS. The underlying assumption of the Millennium Goals was that government alone cannot achieve them, but require the buy-in and assistance of South African businesses (United Nations, 2008).

2.2 Legislation

Since 2000 there have been significant corporate social investment initiatives enacted into law, most notably the Broad-Based Black Economic Empowerment (B-BBEE) Act of 2003, BBE Codes of Good Practice, The King Report II, and the Johannesburg Stock Exchange (JSE) Social Responsibility Index (SRI).

2.2.1 B-BBEE Act and Codes

In January 2003, the South African Government signed into law the Black Economic Empowerment (BEE) Act. The aim of this legislation is: firstly, to give guidance to various industry sectors when drafting individual transformational charters; and secondly, to give business transformational guidelines for redressing past inequalities. The Act also stipulates that South African companies wishing to do business with the South African Government have to comply with this legislation.

In 2005, the publication of the draft Codes of Good Practice and the BEE Scorecard thrust CSI into every corporation’s boardroom. CSI was now included in Code 700, which allocated 10 per cent of the scorecard to either “facilitating the inclusion of black people, promote black economic empowerment and Corporate Social Investment Initiatives” (BEE Scorecard, 2005). However, the codes did not provide a clear definition of what constituted
CSI activities. Therefore in 2007, the amended Codes of Good Practice and BEE Scorecard included the following definition under Socio-Economic Development (SED): [CSI constitutes] “monetary or non-monetary contributions actually initiated or implemented in favour of beneficiaries by a Measured Entity with the specific objective of facilitation sustainable access to the economy of those beneficiaries” (Trialogue, 2007: 8).

The introduction of the BEE framework allowed CSI to become part of the culture of companies. Prior to the enacting of BEE legislation, CSI was marginalized and isolated in companies, and often not seen as part of corporate activities (Trialogue, 2008: 16). The B-BBEE Codes include CSI within the Socio Economic Development area, and require companies to spend one per cent of their net profit after tax in this area. Consequently, it is becoming increasingly important for companies to track and measure their CSI expenditure, as without this the company will not be allocated points under the BEE scorecard. Every cash and non cash item has to be “clearly and accurately accounted for” (B-BBEE Codes, 2007).

Now that CSI is included in legislation and is part of the BEE Scorecard, there can be no doubt that companies have begun undertaking CSI indicatives with greater vigour in order to improve their overall BEE scores. Companies have begun adopting a more formal approach to CSI, which is shown by the considerable increase of investments taking place, more boardroom involvement and an amplified commitment of companies to communicate their initiatives. There is no doubt that the BBE Codes have raised awareness of CSI within South African companies; yet there is also the possibility that CSI has become a ‘tick the box’ exercise rather than evidence that the company truly cares about social upliftment (Trialogue, 2008).

2.2.2 The King report II

Along with the Broad-based Black Economic Empowerment Act, Codes and Scorecard, CSI has also been recognized and adopted into South African corporate governance through the King Report I, which in 2002 was revised to the King Report II.

The purpose of the King Report II is to promote the highest standards of corporate governance in South Africa. Its aim is to encourage companies to pursue good governance
and ethical business practice. Although the King Report II does not particularly specify CSI reporting initiatives it does place a strong emphasis on ethics in business as well as sustainability practice, consequently raising awareness of CSI in boardrooms.

The King Report II is as such not law; however, it is seen as a requirement for listing on the Johannesburg Stock Exchange (JSE) and thereby creates pressure on corporations to comply. The King Report II has helped change the focus of CSI and encouraged a shift from reporting on financial performance alone to reporting on a triple bottom line, which includes social, economic and environmental aspects. The King Report II recommends integrated strategic approaches to social investment and stressed the importance of inter-dependant relationships. It clearly demonstrates to companies that they have to be serious about their pledge to social investment.

By making the King Report II a requirement to list on the JSE, all South African companies have had to reassess their way of doing business and take social responsibility seriously. By raising awareness of social initiatives, the King Report II has encouraged companies to either start giving or continue to give.

In the words of the King Commission:

“… successful governance in the world in the 21st century requires companies to adopt an inclusive and not exclusive approach. The company must be open to institutional activism and there must be greater emphasis on the sustainable or non-financial aspects of its performance. Boards must apply the test of fairness, accountability, responsibility and transparency to all acts of omissions and be accountable to the company but also responsive and responsible towards the company's identified stakeholders. The correct balance between conformance with governance principles and performance in an entrepreneurial market economy must be found, but this will be specific to each company.” (King Report II, 2002).

2.2.3 JSE SRI

In response to the growing interest in the concepts of CSR and CSI, the Johannesburg Stock Exchange (JSE) has introduced the Social Responsibility Index (SRI). This index is meant to encourage companies to embrace the triple bottom line way of doing business. In order to comply with the SRI, a company must first comply with regulations relating to CSI i.e. the King Report II and B-BEEE Act.
The SRI is aligned to the framework promoted by the UN Principles for Responsible Investment; however, this does not include measurements of long term impacts of projects. The Johannesburg Stock Exchange uses a set of criteria to measure the environmental, social, corporate governance and broader economic practices of listed companies on the FTSE/JSE All Share Index and from which to compile a Socially Responsible Investment Index (SRI). The SRI is the first index of its kind in emerging markets and the JSE hopes that it will encourage companies to benchmark their environmental, social and governance programmes against other companies (The Sustainable Handbook, 2008).

2.3.4 Other drivers of CSI

Corporate peers

The other drivers of CSI within South Africa are a company’s corporate peers and reputation. As so many South African companies are involved in CSI, a company that does not have any CSI programmes will be seen as at a disadvantage to its corporate peers and considered as well as not contributing to South African communities (Porter & Kramer, 2006).

A company not participating in CSI not only runs the risk of not meeting its BBBE Scorecard obligations, but also runs the risk of alienating communities and customers. CSI has become a very accepted form of doing business in South Africa and so companies that do not include CSI as part of their business will be seen as poor or insignificant.

Competitiveness

In South Africa, as in the rest of the world, there is a need for highly skilled employees, education, scarce resources, food security and energy. For a South African company to be globally as well as locally competitive they have to “grow” these resources. (Everatt et al., 2005: 16). In order to do this, companies have to cultivate goods, services, education, energy etc. Companies have to start looking at social giving as a means of obtaining a competitive advantage. For example, companies need highly skilled employees but the education is lacking in South Africa: companies should be focusing on educating the youth and placing them in programmes so that the company may benefit in years to come from educated and highly skilled people (Friedman et al., 2005: 22).
Trend
Although social giving has been around for many years, it has only recently, through relevant legislation and corporate action, become a *set trend*. It can clearly be seen from international companies that a precedent of social giving has been set, and it is the only socially acceptable way of doing business in the 21st century (Cochran, 2007). Therefore, companies that do not start exploring CSI initiatives will be left behind and will find themselves having to play catch up in years to come.

2.3 Monitoring and Evaluation
As this research report is looking at *monitoring* and *evaluation* it is important to understand what the meaning of monitoring and evaluation is in terms of the CSI literature in South Africa. This section also looks at the steps companies use to monitor the performance, impact and success of projects, as well as the frameworks in place and the challenges faced by a company wanting to monitor and evaluate a project.

At a recent CSI conference, the CEO of the Zenex Foundation pointed out that monitoring and evaluation was the weakest link in CSI and is often added as a last thought rather than made a project’s priority (Campbell, 2007).

2.3.1 Monitoring through measurement
Healy (2008) contends that Corporate Social Investment is like a successful business. It needs: tightly formulated goals; carefully thought out strategies; high quality execution; focus; and, most importantly, accountability and measurement. The problem with CSI today is that companies tend to focus on their own performance rather than reporting on the change or impact in the community where the CSI takes place (Dragicevic et al, 2008:4). This makes it very hard for stakeholders to understand the actual impacts of CSI spend on individual projects when looking at company reports.

With more and more money being spent on CSI programmes, shareholders, communities and the public are demanding more socially responsibly management of their resources (Njenga et al, 2007: 71). As a result, companies are under increasing pressure to measure and improve the performance of their CSI programmes (Buchanan, 2002: 2). Herein lies
the problem: social return on investment is significantly harder to measure than financial return on investment (Guilliford, 2004). It is a lot easier for a company to report on outputs (i.e. money spent) than on long term value added. According to Njenga et al. (2007) corporations should be asking the question: “Are people’s lives improving as a result of our spending?”

It would appear that long term impact is not a priority. In 2004, a Centre of Development Enterprise (CDE) report found that of the 124 Mathematics and Science projects studied, only a few had undergone impact assessments (Campbell, 2007). And in a study by Trialogue in 2006, although 80 per cent of companies had formal CSI strategies in place, only 40 per cent were engaged in project evaluation (Campbell, 2007).

Social auditing, accounting, and reporting movements are encouraging corporations to measure the outcomes and impact of their CSI spending on communities (Hans et al., 2002). Some reporting initiatives include the Global Reporting Initiative, London Benchmarking Group, Guidestar, and the recent South African reporting concept of Social Mapping. All these initiatives are important to the field of CSI as they professionalize the industry. The individual frameworks are discussed in more detail in the next section.

2.3.2 Measurement frameworks

The measurement frameworks covered in this section are predominantly internationally based, as it is only very recently (November 2008 – the last month of this research report) that a South African based monitoring and evaluation framework came into being – the Social Mapping Project. It is hoped that this South African project will encourage South African companies to emulate what has been happening in the United States and Europe.

Over the past five years, corporations in the United States and Europe have been moving towards a more sustainable way of doing businesses, which is seen through companies investing in projects that will not only benefit the community but also are aligned with their business needs (Hoyt, 2008). This shift in mindset has slowly made its way into the corporate boardrooms of South Africa.
Global Reporting Initiative
Throughout the developed world social reporting has become more popular and, although companies are not required to disclose the impact of social initiatives, it is seen as beneficial (Brockmann, 2008) A well-known social reporting enterprise is the Global Reporting Initiative (GRI) which focuses on establishing a common framework for corporate social reporting worldwide (see appendix 9.2). The idea behind the GRI framework is that reporting on economic, environmental, and social performance should be seen as comparable and as routine as financial reporting. GRI’s aim is to establish a common social reporting language with a view to facilitate transparency and accountability within corporations throughout the world. It is contended that as more companies start social reporting (Hans et al., 2002), stakeholders will gain a better understanding of their firms’ investment impact.

London Benchmarking Group
There are a few organizations currently working on developing frameworks that will provide information on the impact of CSI. The London Benchmarking Group (LBG) is one such company that has put together a matrix to measure a company’s monetary value versus the outcomes achieved (see appendix 9.1 for an example). It provides a standard approach to quantify and report the value of contributions made to the community and the business (Logan, 2004). Measurement will help companies to make better decisions, as if a framework is put in place companies will be able to realize what is working and what is not working when it comes to CSI (Gulliford, 2004).

Guidestar
In the United States, CSI practitioners believe that the continuous development in technology will greatly improve social giving: improved technology will allow for more information to be available (Strom, 2003). An example of this is Guidestar whose mission is to “revolutionize social giving and the nonprofit sector by providing information on the Internet that promotes transparency and enables better decisions to be made when it comes to investing”. (Guidestar, 2008). If information on CSI is freely available and transparent then corporations and community projects can compare initiatives and better understand what is successful and what is not.
Social Mapping Project

In November 2008, Trialogue together with AfricaScope and The Business Trust established South Africa’s own CSI tracking project through an initiative called the Social Mapping Project. This project is hosted through an internet site which provides “access to an innovative social map that plots South African corporate social investment (CSI) spend and socio-economic data on a Google Earth platform”. (Social Mapping, 2008) The purpose of the initiative is to allow companies’ CSI departments to view and benchmark their CSI in relation to activities of other companies. In addition the site allows the user to determine those areas with the greatest need.

2.3.3 Measurement concerns

“What gets measured gets managed and what gets managed gets done” – Anonymous

Proponents of measurement believe that companies which give money away to social causes need to keep a watchful eye on where that money is going and how that money is being spent. They believe that companies should follow their investment in social initiatives in the same way as a stock investment (Cunningham et al., 2004). It is alleged that measurements would enable corporations to understand the relative effectiveness of their money on the organizations they are investing in. (Cunningham et al., 2004)

Cunningham et al. (2004), asserts that putting measurement frameworks in place would have a positive effect on communities as a whole. If projects were measured and subsequently found not to be having the required effect, then the funds could be moved to a more viable, better performing project. Margie Keeton, the CEO of Tshikululu Social Investment Fund which manages CSI spending of AngloGold Ashanti, believes that a company’s CSI should be more focused. According to Keeton, CSI should move from a “shot gun approach to a rifle approach” (Friedman et al, 2005). And, as Keeton has pointed out, it is perhaps the lack of systematic frameworks or lack of focus on individual projects that is inhibiting the growth and impact of companies CSI spend.

The question then is how does one measure impact? The general theory is that the best way to assess a project’s performance is to calculate the “total social benefit achieved compared to the money spent” (Bucahanan, 2002: 10). However, this is a theory and, unsurprisingly, is a bit more of a challenge to apply in practice.
Developing the practice of measurement and evaluation within companies can only be done through comprehensive Monitoring and Evaluation (M&E) studies. Companies have to understand that the measurement of a project is not about the actual numbers involved, the feel good effect or the size of the grant. Rather M&E takes place across micro and macro levels and it is imperative to have ongoing assessment detailing onsite activity on a day to day basis (Campbell, 2007).

Although M&E studies are a great idea in practice, the literature shows that there are some serious concerns with measuring individual projects. Some of these concerns are discussed below.

**Establishing a causal relationship**

One of the setbacks of measuring impact is ascertaining the causal relationship between the amount of money spent and the impact on the community (Njenga et al., 2007). When giving to communities it is often very hard to impose strict guidelines on a project, African communities differ to those of Westernized cultures as the concept of ubuntu is widely practiced. Companies usually impose strict guidelines on projects, telling them everything about how to spend their money, report on the spending, and apply for more money. Communities are not used to this “business cycle approach” of giving; they are used to sharing money in the community as needed, and not to reporting, administration and asking for permission (Habib, 2008: 31)

Given these issues, how can companies link the amount of money spent on the impact created? They cannot. Companies should rather look at individual projects, go onsite and evaluate the project and the individual impact it may or may not be creating. A good example to follow is that of AngloGold Ashanti Tshikululu Social Investments (TSI). TSI has adopted a very professional approach to CSI: very clear objectives are set out with the project leaders and at the same time clear and specific CSI strategies are developed. TSI believes that setting clear objectives at the start of a project makes is easier for the company to measure the impact during and at the end of a project’s lifetime (Friedman, 2005).

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2 Ubuntu is an African humanist philosophy focusing on people’s allegiances and relations with each other, in essence everything and everyone is connected.
**Financial year vs. community project year**

An additional concern when measuring the impact of CSI spending is that sponsorship replicates the business’s financial year, usually running from year to year, whereas lasting community impact generally occurs over a longer time frame. This way of reporting on a year-to-year financial basis often leads to output-driven results rather than a goal of longer term impact. Therefore, the reporting and social giving timelines are not conducive to measuring long term impacts of social projects (Njenga et al., 2007).

**Accurate records and reporting**

Although organizations should measure the success of their programmes, community project leaders and NGOs are usually not professionally trained in measuring outcomes (Meehan et al., 2004). This means that if companies place an increased burden of impact reporting on projects, the effect on communities may be negative rather than positive. Community overseers may find themselves spending more time on administrative duties such as “performance measurement, outcomes and assessments” than on the actual projects themselves (Njenga, et al., 2007). Furthermore, as much of the CSI literature has been written by western scholars and institutions (Everatt et al., 2005: 276), companies have to appreciate that these models of measurement may not be as beneficial to the developing world.

**Costs of measuring**

Another concern of measuring individual projects is the cost involved. (Friedman, 2008) Companies wishing to assess the impact of community projects would have to inject additional manpower, which, naturally costs money. Some argue that this would be a waste of money that would be better off spent on giving back to the communities. (Friedman, 2008). Consequently, it is often hard to convince a board of directors not only to give money to CSI but also to allocate money to monitor the CSI spending. A way to mitigate this would be to take an approach similar to that of TSI (mentioned above). TSI takes a very professional approach to CSI spending and makes sure that the project leader (as well as the company) knows what are their individual goals (Friedman, 2008).
2.3.4 Measurement summary

The Centre for Effective Philanthropy in the United States believes that stakeholders would be much better off if board members spent more time on the social impact side of CSI giving rather than on the investment side. (The Center for Effective Philanthropy, 2002: 5) Therefore, if companies placed more of an emphasis on measuring and monitoring impacts of projects, the confidence in CSI as a whole would improve and as a result corporate giving would increase (Cunningham et al., 2004: 46). Therefore it is imperative that companies place more emphasis on understanding the performance of projects and the impact therein (Hans et al., 2002). Even though companies understand the need to monitor and evaluate projects this is still lacking in South Africa.

2.4 Evaluation through Accountability

Accountability has been defined by Zadek (2006) as holding “those with power to impact peoples’ lives to account and crucially to provide a compelling voice to people for the decisions that impact their lives”. However, in essence accountability can be seen as a measure or practice put in place in order to reduce corruption, reduce the waste of funds and ultimately to ensure that money is going where it is meant to go – it is the act of creating checks and balances (Bonbright, 2007). Ebrahim (2003: 194) suggests that accountability should be defined as “the means by which individuals and organizations are held externally accountable for their actions and the means by which they take internal responsibility for continuously shaping and scrutinizing organizational mission, goals and performance”.

Funds given to non-profit projects are often harder to track than funds given to projects that are concerned with profits (Van den Berkt, 2006). The reason for this is that it is harder to hold grantees accountable because often both the grantor and grantee are required to agree on specific goals, be focused on the mission and understand how performance will be measured (Farkas & Molnar, 2005).
Drivers of accountability and evaluation

“Everyone is calling for more accountability” – Accountability 21, 2007.

Over the past few years accountability has been at the forefront of board meetings, speeches and development goals. And, although it has been at the vanguard of discussions, accountability has no set definition. This is because, naturally, accountability changes from organizational structure to structure (i.e. corporate to government) and takes on a different form in the local, national or global setting (Bonbright, 2007). Accountability practices have a great deal to do with political practices in a country: where no regulatory system is in place, less accountability is present (Van den Berckt, 2006). As companies are increasingly giving more funds to social causes, there has been a rapid move towards accountability. Shareholders, board members and consumers are more concerned with where their money is going, and whether the money is making a difference (Van den Berckt, 2006).

Forms of accountability

When speaking of accountability, usually one looks at three aspects: reliability, effectiveness and legitimacy (Jordan, 2005). Effectiveness is an area which is often of the most concern to companies when giving money and they would obviously like to see where their money is going (Van den Berckt, 2006: 11). However, accountability must not be confused with performance measurement and reporting requirements (Buckmaster, 1999).

There are currently three types of accountability when it comes to non-profit organizations (Van den Berckt, 2006: 11; Christensen & Ebrahim, 2004). These are:

(i) Lateral accountability – where non-profit organizations are accountable to staff, employees and volunteers.
(ii) Downward accountability – where non-profit organizations are accountable to their beneficiaries.
(iii) Upward accountability – where donor money is spent by large corporations and in order to make sure this money is being spent on the relevant projects the donor will asks critical questions to the non-profit organization (Najam, 1996). This type of
accountability is often the cause of a struggle as it reflects the power imbalance between grantors and grantees (Bornstein, 2003). The relationship between the grantor and grantee is a sensitive one and for this reason has to be kept in check. Often a grantor will require a great deal of reporting requirements from a grantee, however, this onerous task can often cause a grantee to feel as though improper and unrealistic measures are being placed on them. This can result in a power struggle in the relationship and one party may feel as though they are being taken advantage of. Therefore, a grantor has to make upward accountability known to the grantee, as well as making a grantee aware of the reporting requirements. Along with making sure that the grantee abides by the reporting requirements a grantor should also evaluate whether the reporting requirements are realistic and getting the desired results. (Van den Berckt, 2006).

This research report focuses on the last type of accountability: upward accountability.

### 2.4.3 Systems of accountability

The traditional tools for accountability are annual reports, financial statements and performance measurements (Van den Berckt, 2006). However, it is necessary to note that traditional forms of accountability are unfit for the new challenges of development (Accountability, 2007).

When companies impose particularly stringent reporting requirements on projects or organizations, they have to be aware that these obligations often distort the value of the not-for-profit organizations. Some critics of traditional accountability feel that annual reports, financial statements and measurements are time consuming, expensive and cause a strategic drift – more time and energy is spent on reporting to donors than on getting the job done (Jordan, 2005).

### 2.4.4 Benefits of accountability

As more money is ploughed into CSI in South Africa, more NPOs are facing stricter accountability and assessment criteria (Bornstein, Hyman & Nyar, 2004). Although
accountability is often seen in a negative light, putting greater accountability practices in place bring numerous benefits to both the grantee and the grantor. (Van den Berckt, 2006)

For the grantor, the benefit of increased accountability means being able to investigate more thoroughly the organization in which money is being invested.(Van den Berckt, 2006). In this way a company will know what type of organization they are about to place their money in as well as the type of practices they have in place.

The grantor/grantee relationship is key to a long term sustainable relationship; it is good if the relationship starts with both the grantee and grantor being accountable. Grantees should also be more accountable and measure the success and failure of their own projects. In this way the grantee shows a grantor not only that they are willing to learn from their actions but also that they want to be successful for the long term (Cunningham, 2004). Furthermore, if a grantee has records of the project’s successes and failures it will make the project more transparent and thus appealing to a grantor.

### 2.4.5 Accountability summary

CSI will improve overall if set standards and accountability practices are put in place to evaluate projects. If companies are encouraged to evaluate and hold projects accountable, less funds will be wasted, more communities will be uplifted, and South Africa will grow both economically and socially (Tuchten, 2007). Ultimately, the way in which CSI will move forward is through increased accountability and monitoring, with both CSI practitioners and projects being held accountable for CSI spend.
3 Research Question & Objective Defined

This research report’s focus is Corporate Social Investment and in particular looking at the practice of CSI giving in South Africa and the monitoring and measuring practices in place.

Research questions are set up in advance to guide a study, and in essence are asking the question “What are we trying to find out?” (Punch, 2005). A good research question will be clear, specific, answerable, interconnected and substantially relevant (Punch, 2005: 46).

The first question will look at the practices of CSI giving by South African companies in the second, third or subsequent years. This will be done by investigating the grant cycle and relationship between grantor (company) and grantees (social project) from the perspective of the grantor, with specific reference to monitoring and evaluation. It will also look at whether or not all South African companies use the same set standards or principles when giving money or in-kind assistance away to grantees.

The second question will look at the importance of CSI within the South African companies by examining what the role of the marketing department is in CSI projects and how companies in South Africa collaborate when it comes to CSI activities, and finally the role and growth of CSI within South Africa.
4 Research Methodology

4.1 Introduction
Howard and Sharp (1983: 46) define research as “seeking through methodical processes to add to bodies of knowledge by the discovery or elucidation of non-trivial facts, insights, and improved understanding of situations, processes and mechanisms”. Although research reports can vary in nature, a research report will in essence possess specific characteristics such as “having a specific question, a clear goal and a plan for proceeding” (Leedy & Ormrod, 2005: 3). Business research often falls under the umbrella of applied research or, in other words, research that is trying to “improve the understanding of a particular business or management problem” (Saunders, Lewis & Thornhill, 2003: 5).

4.2 Research Strategy
In order to yield a comprehensive research report a clear research strategy needs to be put in place (Saunders et al., 2003). As mentioned this researcher’s strategy is to follow the questionnaire approach, collecting data through semi-structured interviews and an online questionnaire. This is because it is beneficial to use the interview approach when the types of questions asked are likely to yield open ended answers (Saunders et al., 2003: 251). When conducting research there are many steps to be aware of (Leedy & Ormrod, 2005). These stages include understanding the limitations when collecting data and the concerns when conducting research.

4.2.1 Limitations when collecting the data
Kervin (1992: 302) states that questionnaires and interviews are the most difficult research tools to measure. This is because questionnaires and interviews are most at risk of being unreliable and having measurement bias.

Interviews
When conducting interviews as a data collection strategy there are a few concerns. One is the reliability of information collected. This is because when conducting interviews there
may be a sense of bias in the interpretation of the responses (Esterby-Smith, Thorpe & Lowe, 2002). Bias may be a problem not only in the interpretation of the responses but also in the interview itself. As face-to-face interviews are being conducted, the concern is that there may be bias either on the part of the CSI manager, (i.e. as the research is being conducted by a student, the manager may only give limited information) or on the part of the researcher (i.e. if it is seen that the interviewee does not know a great deal about the CSI field). However, face-to-face interviews have a distinct advantage over that of telephone interviews (Leedy & Ormrod, 2005), as the interviewer is able to gain cooperation, establish rapport with the interviewee, and consequently yield a more in-depth and higher response rate.

Another concern with interview based research is the reliability of the findings (Saunders et al., 2003: 253) as each interview will be conducted on a different day and with a different person so that a great deal is left up to the subjectivity and perceptions of the interviewer. This researcher will address this concern by having a clear structure to the interview questions and asking the same questions to all CSI practitioners in order to deduce whether or not there is a pattern in CSI monitoring and evaluating.

Management of interviews
For an interview to be successful, it is imperative that the interviewer communicates the purpose of the interview to the interviewee. The interviewer is under an obligation to clearly set out the meeting time and date, and make sure a few days in advance that it is confirmed. The outline of the interview and questions should also be sent out to the interviewee in order to prepare and get a better understanding of what will be discussed (Wengraf, 2001).

It is also an important that the interviewer clearly understands the dress code and culture of the organization where the interview it is to be conducted (Saunders et al., 2003: 103). If the interviewer arrives at the interview unprepared or wearing the incorrect dress code, this may create bias in the mind of the interviewee, which could adversely affect the interview process. Robson (2002) advises that it would be beneficial for an interviewer to wear similar clothing to those of the interviewee in order to create an immediate sense of rapport.
Qualitative interviews require a great deal of planning (Mason, 2002: 67). In order for the interview to run smoothly, the interviewer should make sure to be well prepared, have copies of the questions on hand and anticipate any technical difficulties with recording devices (Wengraf, 2001).

**Online questionnaires**

Online questionnaires can benefit both a researcher and an organization. The main advantages are: cost is reduced, responses are received faster, time is not wasted on administering the questions, and as there is more time available, the researcher can send out more questions and possibly get more responses (Thompson, Surface, Martin & Sanders, 2003).

However, there are some very important limitations to online questionnaires that should be noted. In an online questionnaire the researcher can not guarantee that the ‘right’ person is answering the questionnaire (Okazaki, 2007: 654). They may have received the questionnaire in error, or, as they may not have the right knowledge to answer the questionnaire, their answers may distorted the findings (Okazaki, 2007). The findings and validity of the data can be further distorted depending on whether or not a respondent fully completes the questionnaire or abandons it half way, (Okazaki, 2007: 658). Another distinct limitation to online questionnaires is that they may not even be opened by the desired recipient (Petty, 2003), or they are deleted by the recipient’s spam filter. There is no guarantee that the recipient will either open the mail, or answer it rather than deleting it.

The response rate of online questionnaire is also considerably lower than in person administered questionnaires. According to Comley (2000), the response rate of all virtual questionnaires in 2000 ranged from a measly 15 to 29 per cent. However, it was noted that this low response rate may have something to do with the topic which is researched (Okazaki, 2007). In the case of this research, as the questionnaire’s topic is CSI and the questions will be sent mainly to CSI practitioners, it is fair to assume that they will be interested and so the response rate should be good.
4.2.2 Concerns when conducting research

In any research report, the researcher has to be aware of factors which may influence the report and obscure the research findings.

Bias

“Bias is any influence, condition, or set of conditions that singly or together distort the data” (Leedy & Ormrod, 2005: 208) and when conducting research the researcher has to be aware of the notion of bias. Bias can come into data collection in a variety of ways. Firstly, the interviewer may interpret the data in a biased way, whether unconsciously or consciously. Secondly, the answers of the respondents may be biased in the way of their company or field of work. Therefore when analyzing research data the researcher must always be prepared to keep an open mind and be aware of bias, in conjunction with this, when the data is analyzed one must realize that the data itself may be tainted and bias. In order to overcome bias Rogelberg and Luong (1998) suggest several strategies for overcoming bias in drafting of questionnaires and the responses given. The first strategy is to carefully scrutinize the questionnaire for any item that may have been influenced by one’s own ideals. The second strategy is when analyzing the responses, compare them very carefully look for significant differences (Leedy & Ormrod, 2005: 210).

Validity of Data

The researcher also has to be aware of the validity of the data collected, and must ask oneself “how well does this data represent the phenomena for which it stands?” (Punch, 2005: 17). As a great deal of the data was collected via online questionnaires one has to acknowledge that although the researcher may have sent the questionnaire to the right person, one can not guarantee that the correct person filled in the questionnaires. With online questionnaires there is a great element of trust that the right person has filled out the questions and in good faith.

4.3 Research Design Structure

Having looked at the broader literature and relevant studies conducted in CSI, a research design structure best suited to CSI and qualitative data was put in place. The design structure followed the process of ascertaining the best route to answer the research question, which included identifying the different ways in which to collect data (‘how’).
and the respondents from whom the data would be collected (‘who’). The restrictions when collecting the data and evaluation of the data were also looked at.

The design for this research report followed the process described by Walonick (2004):

4.3.1 Design methodology

In order to determine the monitoring measuring capabilities of Corporate Social Investment within large companies in South Africa, qualitative data will be gathered. Qualitative research is research where there is not an ultimate truth to be discovered but rather a few perspectives on the same subject matter (Leedy & Ormrod, 2005: 133). The qualitative approach allows the researcher to gain new insights about a particular subject matter, develop new concepts and perspectives or discover the problems that exist in the subject matter (Leedy & Ormrod, 2005: 134). Qualitative research often uses multiple forms of data in order to ascertain trends and common themes (Leedy & Ormrod, 2005: 140).
Open-ended semi-structured interviews and online questionnaires will be used as the nature of the subject matter being dealt with and the answers needed are of a qualitative nature. A number of CSI practitioners will be interviewed in Cape Town and online questionnaires will be sent to CSI practitioners throughout South Africa. Through the interview process the author will speak to CSI practitioners in Cape Town who all have direct experience with the particular area of CSI being studied.

In both the interviews and questionnaires the same questions will be asked in order to collate the responses. Once collected, the data will be used to discover common themes and CSI monitoring and evaluation techniques.

### 4.3.2 Determine feasibility

Determining feasibility is determining the viability of the research. (Walonick, 2004), which means looking at (1) whether or not it is possible to conduct the research in the given time, (2) where the data will be collected from and whether it is a viable and reliable source.

The initial decision was to interview at least ten CSI practitioners based in Cape Town. However, after investigation this was found to be unrealistic and not viable. In view of the time constraints, it was found to be more realistic and manageable to interview just five CSI practitioners in Cape Town, and contact via email the rest who are located in other geographical areas of South Africa.

### 4.3.3 Develop instruments

Research reports typically start with a question in mind (Leedy & Ormrod, 2005): what is one trying to find out? The next step is figuring out how to answer the what by saying how? (Leedy & Ormrod, 2005) An important component of figuring out the how is asking oneself what kind of research philosophy to adopt, Positivism, Interpretivism or Realism (Saunders et al., 2003). Although not mutually exclusive the research philosophy adopted plays an important role in the research methodology employed. This research report lends itself to a more interpretivism approach, which focuses on understanding and exploring the
subjective matter that motivates the decisions of the research participants (Saunders et al., 2003: 84).

**Development of questions**

When constructing a questionnaire one must be sure that the questions asked are measuring what one would like to measure as well as minimizing measurement risk (Mason, 2002). Qualitative interview questions require a great deal of planning; the process of developing a qualitative questionnaire is in-depth and should not be taken lightly (Mason, 2002: 67). It was decided that the same questions would be administered in the face-to-face interviews and in the online questionnaire, so that the results could be analyzed together.

Questionnaire design follows a specific flow, and each stage within the flow must be completed successfully before proceeding to the next one. The flow of a questionnaire design and the feedback loops are imperative for knowing where one is going with the questionnaire design process (Walonic, 2004). Then it is also important to look at whether there is flow, clarity and an understanding of the writer’s style. The main concern with the development of a questionnaire is that the questions are set out to answer and explain the research question (Leedy & Ormrod, 2005: 154)

**Types of questions**

When writing questions for a questionnaire, it is important that the questions are; clear and specific, simple and relevant, brief and neutral, and it is important that the author uses appropriate language (Kervin, 1992: 304). These requirements are important as interviewees hear the questions, they must be clear about what exactly the interviewer is asking. The types of questions that are asked are therefore important. Youngman (1986) lists seven types of possible questions:

(i) Verbal or Open: Expected response is a word, a phrase or extended comment

(ii) List: List of items are offered of which any may be selected

(iii) Category: The response is in a set of categories

(iv) Ranking: Respondent is asked to place something in rank order

(v) Scale: Various stages of scaling devices include such as nominal, ordinal, interval and ratio.

(vi) Quantity: Response is given in a number
(vii) Grid: A table or grid is provided and the respondent has to answer two or more questions at the same time.

The types of questions asked in the questionnaire (see appendix 9.4) were predominantly open questions, with a few ranking and quantity questions. Predominantly open questions were chosen in order to encourage the respondent to give their view on the subject matter.

**Appearance and layout**

The appearance and layout of the questionnaire are especially important as the questions being administered in the interview are also going to be sent out in an online questionnaire. Not only must it be easy to answer the questions in an online format but the questions must look appealing on the screen (Schonlau, Fricker & Elliott, 2002). Designing an online questionnaire, as opposed to a paper or face-to-face interview questionnaire, follows different rules. Only a few questions should be listed on each screen page, so that respondents do not get overwhelmed and have to scroll down excessively in order to get to each new question (Schonlau et al., 2002). An online questionnaire must be designed in such a way that it is simple to read and understand and encourages respondents to answer. (Mann & Stewart, 2000). Unnecessary questions should be eliminated, as a questionnaire should be a reasonable length and not deter respondents by having excessively long and unnecessary questions (Schonlau et al., 2002).

The questionnaire format and layout is also extremely important when designing a questionnaire (Sanchez, 1992). When starting a questionnaire it is important to “set the scene” of the questionnaire for example it would be unwise to open the questionnaire with a very complex question. Rather it is advisable to open with a question such as the name of your company or job title. This is done in order to build momentum in the questionnaire, ending with the more complex questions. However, one must be aware when asking complex questions towards the end of a questionnaire that the respondent may get tired and the response rate may be low (Bradburn, Sudman & Wansink, 2004).

**4.3.4 Select a sample**

The decision of the relevant sample size is based on the need for accuracy and availability (Kervin, 1992: 240). The main question to ask is whether or not the sample provides access to enough data and has the right focus (Mason, 2002: 134). Qualitative research is good at
looking at how things work in a particular context rather than looking at a full range of experiences. The context of this research report is the monitoring and evaluation process of companies CSI. By taking a random sample of companies the researcher will better understand the practice of CSI on the whole. The choice of in-depth, semi-structured interviews means that the sample size can be smaller (Leedy & Ormrod, 2005). However, it should be noted that in qualitative research there is no set rule to the ‘right’ number of interviews required – the number is based on whether the relevant information is received. The ‘right’ number is smaller as personal interviews are a great way in which to get more “in-depth and comprehensive information” (Walonick, 2004) therefore the researcher should receive more insight.

Choosing the respondents

After extensive research into Corporate Social Investment in South Africa and consulting the leading manual on CSI development within companies in South Africa (Trialogue, 2007; Trialogue, 2008), the researcher chose to contact companies which fell within the following categories.

(i) They are listed on the Johannesburg Stock Exchange (JSE)
(ii) They give money away which is interpreted as Corporate Social Investment
(iii) Their annual spend on CSI is significant i.e. more than R1 million

The interviews were obtained by looking in the Trialogue (2007) handbook and establishing which companies were based in Cape Town. After the relevant companies were identified the researcher contacted each of the companies telephonically. When it became clear that there were not enough willing and available participants in the Cape Town region, it was decided to include Johannesburg in the study

In total thirty-five organizations were contacted, of which twenty-three agreed to participate: five organizations agreed to face-to-face interviews and eighteen agreed to answer an online questionnaire.

4.3.5 Conduct a pilot test

When conducting research and compiling questions for a qualitative questionnaire, it is advisable to conduct a pilot test before distributing the questionnaire to key professionals.
This is done, firstly, to test how long the recipient takes to complete the questionnaire and, secondly, to check all questions are clear and unambiguous. Piloting the questionnaire on others ensures that there is no ambiguity or lack of structure (Creswell, 1998). It is also a good idea to test your questionnaire to check the results it yields, as often certain questions will be found to give unusable data (Bell, 1999). One recommendation is to give the questionnaire to some friends and colleagues and see whether they have any difficulty in understanding the questions.

The questionnaire was initially given to friends but as they did not understand the particular issues of the CSI industry, it was not very helpful. The researcher then approached a lecturer working in the field of CSI and an experienced CSI practitioner to pilot the questionnaire.

### 4.3.6 Revise questionnaire

In order to have a successful questionnaire and responses there has to be limited ambiguity in the questions asked (Bell, 1999). Words often have a common meaning or a few meanings and so it is important to consider what the questions may mean to different respondents.

The questionnaire was given to the CSI practitioner and the CSI lecturer, who both gave comments that were relevant and valuable for revising the questionnaire (see appendix for criticism and relevant revision).

After incorporating their suggestions into the questionnaire, the questionnaire was then shown to another University lecturer for comments about its flow, structure and consistency. The questionnaire was again revised after receiving the lecturer’s comments. It was only after this final revision that the questionnaire was sent out and administered to CSI practitioners.
4.3.7 Conduct research

The data for this research report was collected in three different ways: firstly, through hour-long interviews with CSI practitioners working in large South African companies based in Cape Town; secondly, through online questionnaires sent to CSI practitioners working in large South African companies; and, thirdly, through desk research which included documents from websites, academic journals and previous research reports.

Interviews

The interviews were conducted on a semi-structured basis, using a list of prepared questions. Semi-structured interviews are defined as “the researcher following a set of standardized questions with one or more individually tailored questions to get clarification or probe a person’s reasoning” (Leedy & Ormod, 2005: 184). The purpose of the interviews is to get a response to the questions asked.

After extensive research into the theory of interview and online questionnaires the researcher went out and interviewed the companies. Although the interview respondents chose to remain anonymous, the company names are mentioned in the appendices. The first interview was a great learning curve, with the subsequent interviews going very smoothly. Five practitioners within the Cape Town region were interviewed face-to-face. The researcher recorded all interviews and then transcribed them.

Online Questionnaire

As mentioned under ‘Select a sample’ above, there were unfortunately not enough Cape Town-based practitioners available and willing to partake in this study. Therefore, South African companies based in Johannesburg were also targeted.

The Trialogue Handbook (2007) was used to identify companies. The companies were approached first by email and then by telephone. The email layout included a cover letter (appendix 9.5) and a link to an online questionnaire site run by the Graduate School of Business. The letter was then sent out to the relevant companies. Every time an online questionnaire was completed, an email was automatically sent to the researcher who could therefore be kept up to date with regards to the progress of the online questionnaires. After sending out the online questionnaire, the researcher followed up on the progress by email.
and telephone (email was chosen when the practitioner could not be contacted telephonically).

**Ethical Issues**

When research is being conducted in certain disciplines, particularly social science, education, and areas where human subjects are used for research, a high standard of ethical behaviour and confidentiality is needed. (Leedy & Ormrod, 2005: 101) In this research report as face-to-face interviews are conducted informed consent is a necessity. That is each participant has to be told about the nature of the research, as well as where and how it will be used. Following from this participants have to be given the choice to participate, i.e. they can not be forced into participating.

All the questions in the questionnaire have to be given an ethical clearance prior to being distributed to CSI practitioners. In conjunction with this when conducting interviews, permission has to be given to record the interviews and use the results in the research. This was done for each of the respondents by telling them at the start of the interviews the nature of the research and where the answers to their questions would be used. With the online questionnaire, respondents were sent a letter detailing the research as well as information should they have had any further questions.

### 4.3.8 Analyse data

When doing qualitative research, there is an understanding that the analysis is often subjective. Data analysis and interpretation are closely linked (Leedy & Ormrod, 2005: 150). Thus qualitative data is very interpretative. After all, “Data is only data and nothing more; it needs the help of a human mind to be made sense of” (Leedy & Ormrod, 2005: 5). In evaluating the data the following checklist was used (Bell, 1999: 195)

- Look for similarities, groupings and items of particular interest
- Group the data according to themes and questions
- Refer back to literature review to ascertain if there are theoretical connections

When there were unanswered or unclear questions raised by the questionnaires then the relevant CSI practitioner was contacted to clarify their position on the matter.
When analysing the data, the researcher was cognisant of the fact that the companies interviewed may have been biased as they were willing to let a student in the door. Companies that were contacted but did not respond may have not responded to the questions as they either did not have a great deal to say, or their CSI policies are not up to a certain standard or they just (as they said) were too busy. Nonetheless, it is important to state that there is bias in this report, particular in the research respondents – not getting a full scope of South African companies i.e. the good the bad and the ugly. Also the research respondents answers to the particular questions, although some responses were honest and not always rosy, the majority of responses painted their particular CSI departments within their companies as doing CSI “the right way”.

The data was assessed for similarities and grouped according to the following themes:

1. The importance of CSI within organisations
2. Monitoring and measurement
3. The future of CSI

Of concern was the fact that in many of the findings and trends, companies were found to be either at one or the other, completely different end of the spectrum. However, after talking to senior researcher at Trialogue Publications, the researcher discovered that this phenomenon is typical in the CSI industry.
5. Research Findings

The majority of CSI practitioners were approached for this research paper were both friendly and helpful; however, understandably, as with any research there were those who were unhelpful.

Of the thirty-five companies contacted to complete the online questionnaire, eighteen responded, which gave a response rate of 51 per cent. Unfortunately two of the eighteen responses were of such a poor quality that they could not be used. Therefore in total sixteen online questionnaires were used.

Twelve companies were approached for the face-to-face interviews in Cape Town and five agreed to participate, which meant a response rate of 41 per cent. Three of the companies who refused face-to-face interviews agreed to complete the online questionnaire.

Most of the respondents had CSI Manager as their job title, which demonstrates that the ‘right’ people within the industry and within the company were sent the questionnaire. It also indicates that the respondents would be knowledgeable in the field of CSI and qualified to understand what the procedures in place are when it comes to CSI within their company.

5.1 The importance of CSI within organisations

The fact that most companies have a ‘CSI manager’ shows that CSI is indeed a growing field in corporate South Africa. This is in line with the literature which showed that in the past there would not have been the title of ‘CSI manager’.
Only three of the twenty-one respondents did not have a CSI department within their organization. Of the companies without a dedicated CSI division: one said that the company was looking into setting up such a department but had not yet formalized the process. Another said that the company felt that their CSI spend was not spend enough to justify a separate department.

The answer to this question further demonstrated the growth of the CSI field. The majority of companies had been involved in CSI initiatives for over 5 years, which is in line with the literature review that shown South African companies have been involved in CSI for many years.

However, although most companies have a CSI department and have been involved in CSI initiatives for many years, the number of people working within the CSI departments is significantly low. Only one company has more than six people within their CSI department.

Given the small number of people working in the CSI department, the number of projects funded companies was surprising, with the majority currently funding between 9 and 18 projects.
5.1.1 Is CSI just a marketing tool?

Although there is a great deal of good done by the majority of South African companies through CSI initiatives, from the literature and interviews it is clear that many people believe that companies are involved in CSI not for the good of society but rather as a ‘tick the box exercise’.

The companies benefit from good public relations and marketing resulting from their CSI initiatives. In many of the interviews the CSI practitioners cited cases of gross mismanagement of funds, but always of other companies.

In two interviews the example given was of a company who spends only R1 million on a project and then R10 million on marketing and promoting the fact that they have given this money away.

None of the CSI practitioners interviewed admitted to this equality between CSI and marketing spending but many mentioned that their own company was concerned with the marketing and publicity it received from social investments.

The vast majority of respondents said that there was either no connection (7 respondents) or a minimal connection between the CSI and marketing departments. It is noteworthy that 60 per cent of respondents mentioned there is a connection to the marketing department.
5.1.2 Are companies working together?

There was an outstanding positive response to this question with only three respondents saying they do not collaborate with other companies. It was not clear however who is responsible for the monitoring and evaluation. All the companies except one said that they are in charge of monitoring and evaluating the project. The companies that did not collaborate did mention that they thought it was an important aspect of CSI and something they were encouraging top management to look into.

5.2 Monitoring and Measurement

All the respondents mentioned that a grantee applying for money has to submit a business plan outlining what they would like to spend the money on and what the project hopes to achieve with the funds or in-kind assistance given. This is in line what the literature says about the process followed by grantees.

Most of the respondents said that grantees in fact do not have the freedom to do what they want with funds after they have been received rather they have some flexibility. Only one respondent mentioned that a grantee has ‘complete flexibility’.

What became clear is that grantees have to come to the company for permission each time they would like to deviate from either the business plan, Memorandum of Understanding (MOU) and or terms agreed upon at the start of a project. For those who answered ‘some flexibility’, this means that once a grant is given and a grantee would like to spend the money on a different project they have to go to the company and explain the reason for the change. After a dialogue has opened up between the grantee and grantor then only will the company say yes or no to the changes proposed. This demonstrates that companies do in fact have a strong hold on their relationships with their grantees, are concerned about the
money spent and want projects to be accountable for the funds given out. It also shows that the relationship between grantee and grantor is one-sided.

5.2.1 Relationship management

The relationship between grantee and grantor was an issue of importance. When asked whether or not there had been mismanagement of funds, the majority of respondents answered no. An interesting point made by one respondent was “although we have a great deal of reporting requirements on projects in place, I can not guarantee that NO mismanagement of funds has ever happened, although I can’t think of a particular example right now”.

A key insight from the data was the importance of relationship management to ensure money gets spent wisely. If there is a strong relationship with a grantee, the company does not have to ‘baby sit’ each project, as they trust the grantee. Many interviewee respondents mentioned that they spend a great deal of time fostering relationships with grantees, and try to choose the right NPO to partner with.

Many respondents said that the relationship they have with their grantees is key to ensuring success, trust and no mismanagement of funds. Some respondents mentioned that if you do intensive due diligence on a project before pledging money that often this is more than half the battle won. Some companies mentioned that once they find a NPO that they are comfortable with and have a good relationship with, they will stick with this NPO for the long term and will not deviate.

Given the importance of relationship management, it was intriguing that only five of the respondents visit their projects frequently (i.e. at least once a month). Most of the respondents mentioned that they visit their projects quarterly or annually.

There was only one practitioner who said she gets involved in projects on a daily basis and is usually away from her desk three out of five days in a week. The answers of the majority
of respondents may be due to the trust mentioned by the CSI practitioners: if they have a great deal of trust in the projects or organizations where they are giving money then they do not necessarily have to go and visit them regularly.

5.2.2 Reporting requirements

As respondents tended to either visit their sites only quarterly or annually the researcher was interested to find out what reporting requirements the NPO had in the times when there was no site visits. Many of the respondents mentioned that they required monthly reports, both narrative and financial. Many companies also stated that they require an annual audit report to be given in by the grantees. A handful of respondents also mentioned that they randomly audit (social audit) projects by having an independent third party organization come in.

Some organizations mentioned that they try and make reporting a task that is both cost efficient and simple. Organisations said they do not like to have reporting costs outweigh the funding that is given away.

The expense of reporting came up as a common theme in this research investigation, many organizations saying that it is very expensive to get a third party in to do the reports. CSI practitioner said that they would rather see the money that would be spent on third parties spent in the community. Following, if a third party is brought in this is done only every three to four years or as needed.

Therefore, CSI managers rather try and get a “feel” for how the progress of a project is going. They will often require written and financial reports from the grantee, however, it was noted by one practitioner that “written reports will not be able to tell you the whole truth, you have to have contact with your projects and know what is going on”. However, another approach by a respondent was to not require reporting at all, rather “projects have to just allocate funds according to their own needs and as they see fit”.

When asked, if the company requires reporting requirements but the grantee does not adhere to them, what happens? Seven of the respondents said that if a grantee does not adhere to reporting requirements “they don’t lose their funding but, they are never
supported in the future”. Six respondents said this has not been a problem thus they have not had to react to this situation. The remainder of the respondents said that they would try and come up with a solution, review the situation, handle it on a case-by-case basis. Of the remainder, one respondent made it very clear that the relationship has to be managed effectively and that it should not get as far as there being “a problem”. However, should a problem arise “intervention and engagement” is their solution. One lone respondent said that if a grantee does not report back they would not loose their funding but rather they are required to “pay back the amount for which they did not report on”.

5.2.3 The importance of monitoring and measuring

This research report is focused on the monitoring and measuring of success of grantees, as well as how grantors determine how to give funds away in the second, third or subsequent years. The answer to this question demonstrated that not only are South African companies aware of monitoring and measuring but that they believe it to be an important aspect of the CSI process. There was an overwhelming response in the affirmative with not one company choosing “somewhat agree”, “disagree” or “strongly disagree”.

5.2.4 The effect of BEE

In early 2007, the South African government gazetted the B-BBEE Codes of Good Practice and associated scorecard into the corporate sector. This change has influenced expenditure, reporting requirements and awareness of CSI activities. With many industry leaders saying that Broad-based Black Economic framework has provided an opening for CSI to enter the “mainstream culture of South African corporates”. CSI practitioners were asked whether or not they had seen a difference in their reporting standards since the inclusion of Code 700 on the BBBEE Scorecard.
Unfortunately, the very poor response rate to this question (39 per cent of the respondents chose not to answer) means that no definite conclusions can be drawn about the effect on the BEE legislation on CSI reporting standards.

The poor response rate may have been because the question was at the end of the questionnaire (when respondents were becoming apathetic about answering the questions) or because the Scorecard has not affected their company, due to the fact that they have adequate reporting requirements in place.

However, it is worthy to note that one CSI practitioner mentioned that the B-BBEE scorecard calls for stricter monitoring of where every individual line item of CSI spending goes and to whom. The reason for this is, that at a later date this information is relayed to the other functions of the company i.e. the lawyers and accountants and done in order for the lawyers and accountants to draw up an adequate and true BBBE representation so that it can be translated into a BBBE “score” for the company. Due to this reporting, and loop to other functions of the company requires the CSI division to be more accountable. Each CSI practitioner can not afford to conduct whimsical or negligent spending as the lawyers and accountants will want adequate justification for these transactions.

5.2.5 Challenges facing CSI practitioners

There was a variety of answers to the question on the biggest challenges of assessing impact and measuring performance of CSI projects. However, one respondent’s answer encompassed much of what most respondents were saying: “Within CSI, there are certain aspects of the program that are not ‘measurable’ - they are more qualitative. Unfortunately, in most organizations, most people tend to focus on the quantitative aspects”.

Another respondent felt that there is a need in South Africa to produce new practical approaches to development, which could then be used around South Africa as a model for development and would be similar to what companies and development agencies in the
United States are now doing. However the same respondent also conceded that it may be hard in South Africa to do something that would require a great deal of manpower, collaboration, technology and resources.

The issue of cost came up in response to the question about using third parties to track projects. The data showed that the majority of monitoring and measuring of projects is done through site visits, and detailed reporting requirements, which requires manpower. However, only four of the respondents mentioned that they use the services of a third party to track a project’s success. When asked why third parties are not used more often, the reason given by respondents was the huge cost involved in the process. If companies decide to use a third party, this is only done every three or more years.

The answer to the final question was interesting. When asked “in the respondents view if their company could do more in the way of reporting and evaluation of CSI projects” the respondents came out with an interesting 50/50 split, with some respondents choosing not to answer the question. This implies that some companies are happy with the way they are evaluating their CSI projects while others are not. It was interesting to note that none of the respondents answering “yes” to the question gave an example of what should be done as an alternative to their monitoring and assessment.

5.3 The future of CSI

When asked an open-ended question of “what in your opinion is the biggest problem currently facing CSI in South Africa” there were a variety of answers (see appendix), however, the broad issues that emerged were:

1) Collaboration with other companies
2) Corporations spending a great deal of money but having no impact
3) The traditional grant making approach being highly inefficient

It was clear from the data that monitoring and evaluation of projects per se is not as important as the problems of projects not having an impact and inefficient grant cycles. Yet both these problems are inextricably linked to the practice of monitoring and evaluation.
6 Discussion of Findings

6.1 Funding in the second, third and subsequent years: No set trend

The findings of this research report were very varied and hard to collate, there were those companies on one side of the spectrum and then those that were on a totally different side. Therefore, common themes and trends were hard to uncover.

It is clear from the research collected that no company does exactly that same as another company does when it comes to CSI spending and strategy. Monitoring and evaluation of South African companies cannot be placed in one box and as yet does not have one formula.

Therefore, although this research report was focused on looking at what mechanisms are used to give money away in the second, third year, or subsequent years, no clear trend emerged. Companies base their giving on a project submitting a business plan or funding application and that document meeting their criteria. Alternatively a company will proactively choose a project to be associated with for the long term and will fund this project regardless.

6.2 The Grantor and Grantee Cycle of giving

The cycle of the money given to grantees has come up in this research report as an area of concern and interest. Initially this researcher wanted to investigate what terms companies chose to give money away to a project in the second, third or subsequent years. The findings for which were very varied. From the research and talking to CSI practitioners there seems to be three techniques with the cycle of giving.

Technique 1 – There is money to be given away each year and projects have to apply for this money. If the money is given an MOU and contract is signed stipulating where the money is meant to be spent as well as what constitutes a breach of the MOU i.e. if the project does not use the funds as stipulated they will loose their funding or never be funded in the future. This technique also seemed to say that each year a new application is needed to get funding therefore if a project has been funded in the past there is no guarantee that
they will be funded again. They have to reapply on equal footing to other projects, no preference is given.

Technique 2 – The cycle of money is not based on year to year giving rather the company chooses a viable project that they would like to have a relationship with for the long term. Before the project is chosen there is extensive investigation into the projects viability, due diligence, sustainability and the project leaders. The company then sets up an agreement with the project and the idea is to make the project sustainable for the long term and make a greater impact. Therefore, this type of funding is given over the life time of the project or the stimulated time i.e. five years. Here a reapplication is not needed, rather it is about achieving goals together between the company and the project.

Technique 3 – This third “technique” is a combination of both one and two. The idea is that a project applies for funding and a reapplication is needed the following year. However, a few CSI practitioners mentioned that this is not set in stone. Rather if they feel that the project is making a significant difference or would benefit from more money from their company they would be willing to drive this project to top management and make sure they get the funding over another project. Therefore, this is an amalgamation between the two techniques.

CSI as mentioned numerous times in this report is changing, and there is no set or ‘correct’ way of giving funding in the second or third year. Many of the practitioners agreed that technique 2 should be the way in which CSI goes forward, with a greater emphasis on individual projects and long term sustainability. There is a deep concern for technique 1 where money is just given out year to year, with no preference given rather the basis is a “funding application or business plan”.

The key to CSI going forward is relationship management, changing the grantee cycles of giving money and the basis for which this money is given, along with aligning the companies’ strategy to that of its CSI giving. I.e. if the company deals with engineers, and there is a clear shortage of them in South Africa, there should be a program based on encouraging engineers through the school system and those individuals ultimately working for the company.
Grantor and Grantee cycle of giving is therefore directly related to the main concern of this research report, the monitoring and evaluation of projects. If a grantee submits a business plan at the start of a project and terms are agreed upon, how much freedom does a grantee then have once the money or in-kind assistance is given away? A natural assumption is that if grantees are allowed to do what they want with the funds given and do not adhere to a business plan, the grantor company is not strict on monitoring grantees. It also suggests that such companies do not particularly care what happens to the money given away.

However, the results of the questionnaire reveal that the majority of grantors require a grantee to come to them should they wish to deviate from the business plan and spend the money on something else. This shows us that companies do care about what and where their money is being spent. Nevertheless, one has to ask how practical it is to ask for permission at the ground level of a project. For example, if the company is based in Cape Town and the project based in the Eastern Cape wants to deviate from the business plan, how trustworthy and honest are grantees in these types of situations? It is fair to assume that the process of “gaining permission” from the company is a lengthy one; therefore it is understandable if project leaders in rural areas do not see or understand the importance of this process. Of course if a company and grantee have an on going relationship, not based on year to year giving but on trust for the long term, it is obviously more likely that both parties will follow and trust the process.

What was clear from the research was that companies which chose only a few projects, with relationship management being a key element in the approach seem to be making more of an impact than those that chose the more traditional route of year on year financing, with no priority given to a project that got money the year before. Long term relationships with grantees mean that a grantor can be involved and care about the sustainability and long term goals of a project.

Thus the grantor cycle is important, as companies that choose to fund projects on a once off basis run the risk of partnering with organisations that do not understand the significance of reporting. If a grantor builds up a relationship with a grantee over a period of time, which is not dictated by a business cycle, these projects are more likely to be sustainable and have better monitoring and reporting in place.
6.3 Importance of CSI within an organization

**Marketing**
Marketing is both a positive and negative aspect for the field of CSI and monitoring. On the positive side, if a company is concerned with the marketing aspect of their CSI projects, it demonstrates that CSI practitioners have to take their function seriously and show value to stakeholders. It further helps the profession of CSI and monitoring as a company would be very concerned about possible negative publicity resulting from a project failing. Therefore, if there is a great deal of marketing around CSI projects, companies have more of a vested interest in seeing that the project succeeds, and the money or in-kind assistance that is given reaches the correct recipients and makes an impact. CSI practitioners will become answerable to the board as well as other divisions such as accounting, law. Marketing could subsequently, illustrate that CSI practices will not go unnoticed but rather questions will constantly be asked.

On the negative side, if CSI division is closely linked to the marketing department, the CSI practitioners may be dictated to by outside forces – people in marketing who may not know a great deal about the field of CSI. The decision to give money away may be whimsical and based on a marketing advantages rather than a long term sustainable CSI strategy. The close link between marketing and CSI may also show that a company is involved in CSI for the ‘wrong’ reasons such as the company being more concerned with the publicity of CSI rather than making an impact through a project. Further, if the marketing department is closely linked to CSI, excess money may be spent on the marketing drive of a project instead of on the actual project itself.

**Collaboration**
Although monitoring, evaluation and accountability are all great ideas in theory, there are many challenges in South Africa with regards to effective implementation. For monitoring and evaluation to be effective companies have to start working together. However, when it comes to CSI companies often see their brand and reputation as the priority rather than collaborating and learning from other CSI initiatives. An interesting example given was the case of four companies that went up to the Eastern Cape to work together on a school project. They spent a few days in the rural area discussing what needed to be done and then coming to an agreement on what needed to be bought. However, on the last day when talk turned to branding and where each company wanted their logo, the discussions came to a

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halt. The companies could not reach a compromise over what some would see as a trivial issue. The project consequently failed as the companies could not come to an agreement over branding rights.

6.4 Professionalisation

The fact that South African companies do not have ‘one formula’ or way of doing things when it comes to CSI spending came up in the interviews. It was said on many occasions that in fact CSI needs a professional body or group to monitor or “lay down the rules” on how CSI should be monitored and evaluated. There would be an incentive to have more impact and accountability if all companies knew what was the standard as well as what the industry was doing.

Currently, a handbook exists to try and help CSI practitioners get the best out of their CSI spending. However, while it is great that there is a move towards professionalization, the idea of having a manual or certificate for CSI practitioners raises two problems: the first is that the wrong people may be attracted to the profession, that is people just looking for a job rather than being passionate about the industry; secondly, that even if there are CSI trained CSI practitioners, there may not be ‘buy-in’ by top management. These may be legitimate concerns but it is also natural in any profession to have people that want to be there and people that don’t.

The CSI industry is in the process of becoming a professional function. However, in order to be taken seriously by other functions in the organization CSI practitioners have to be held accountable for the money they give to projects, as well as show that the money they are giving away is in fact making an impact.

The fact that CSI spending is seen today, by most corporates as ‘compulsory’ is not helping the industry but is rather making CSI a ‘tick the box’ exercise. However, this is not the case for some companies. There are companies that are greatly involved in CSI spending and are very hands on with the projects they are investing in. These are the companies that mentioned that, for them, relationship management is the key as well as only having a very few projects to look after.
Professionalization through Legislation

As noted in the literature review, South African companies alone are currently spending over R4.1 billion on CSI initiatives. Yet irrationally there is no South African legislation in place that deals directly with CSI reporting, specifically outlining exactly how companies should be monitoring and measuring the money that is being spent. From the research, it is clear that no two companies are exactly alike when it comes to their CSI strategy, which should be treated in the same as a business strategy; however, in business, there is legislation in place with regards to how companies spend and report on their activities. Due to the lack of monitoring and evaluation and the fact that there are no set standards in place, no one knows – what, if any, impact projects are making in South Africa society. The Trialogue Handbook is the only leading authority on CSI activity in South Africa and, it should be noted, is a private initiative.

Although there is no legislation per se in place regarding CSI reporting, the BBE Act and Scorecard have been an active move in the right direction. As noted in the literature review the BBE Act deals with CSI, however, it does not deal directly with laws that govern exact step by step reporting requirements. Nonetheless, and as mentioned, the BBE Act has been a step in the right direction.

Broad–based Black Economic Empowerment

The Broad-based Black Economic Empowerment Act (B-BBEE) and the Socio Economic Development (SED) requirement seem to be taking time to be felt by South African companies. There is still a lag effect, with some companies responding vigorously to the legislation and other companies saying that nothing has changed. Whether or not this change has been because they are still unsure of its effect on CSI spending or because their CSI spending was in the right place to start with is still unclear. However, it is clear that CSI monitoring and evaluation of projects will be affected by the B-BBEE Act and the SED. Although this is still in a slightly grey area, companies will ultimately feel the effect as they are going to have to account for their CSI spending as well as track where it is going and the effect it has had on previously disadvantaged individuals. Invariably the B-BBEE codes and Act will have a positive effect on the industry, placing it more in the mainstream of the corporate function, allowing for management to be more concerned about where their money is going. However, it was clear when visiting a few organizations, that top management cannot be forced to care about an industry or projects.
What is important is to have the right people within the company driving the CSI and getting the right level of buy-in.

6.5 Lack of a set process of monitoring and evaluation

Monitoring and Evaluation of CSI projects in South Africa has been called the Achilles heel of corporate giving. As there are no set guidelines, regulations or answerable bodies, companies giving money away do not necessarily have to be concerned about the monitoring and assessment of these projects. Even though many CSI practitioners consider monitoring and evaluation to be very important aspects of CSI for their company, this was not backed up by the evidence that they gave. The money spent is usually monitored and evaluated through monthly reports from the projects, financial reports from the projects, annual reports, presentations and meetings. However, how can a company expect a rural project in say the Eastern Cape to adhere to these reporting requirements and show the actual progress being made? The fact that many companies said that they only visited their projects a few times in the year shows that they would not necessarily know what is going on at the ground level.

In order for monitoring and evaluation in CSI to be improved in South African companies, companies need to be answerable to a professional board, where the same or similar standards are expected of all the players in the industry. Some companies are taking CSI monitoring and evaluation very seriously; one CSI practitioner gave me an example of the easy questions she has drawn up for project managers to answer, in order to make sure everything is being done. However, in South Africa there are defiantly two completely different ends of the spectrum, and although the Black Economic Empowerment Act will ultimately help the industry with reporting requirements this has had a lag effect and has not shown itself in companies monitoring and evaluation.
7 Conclusion and Recommendations

The practice of monitoring and evaluation has been described as the Achilles heel of CSI in South Africa (Trialogue, 2008: 12). As shown in the literature review companies in South Africa have been giving to social initiatives for over fifteen years, with the giving only fairly recently being named and formalized as the practice of CSI. One can see that the annual spend of South African companies on CSI projects has grown from R3.2 billion in 2006/2007 to R4.1 billion in 2007/2008, however, there is still a clear disparity between the approach of CSI by many companies.

The South African Government has only recently (in January 2007) made a provision in South African legislation for companies to “track” their CSI spending, to ensure that the money is going to previously disadvantaged individuals (PDI). As shown in the research and the findings, this legislation has had a distinct lag effect, with many in the industry believing that the regulation will only start showing its effects in the next two years. Although this research has shown that some companies have already reacted to the legislation, it is clear that other companies are still in the dark, possibly choosing to ignore the legislation for now or not realizing its possible impact for future CSI spending. Code 700 of the Broad-based Black Economic Empowerment Act is the first of its kind to “regulate” the spending of CSI and for this reasons companies are going to have to take note.

This research report shows that there is a clear lack of process conducted by South African companies when it comes to CSI. There is no clear right or wrong way of conducting CSI initiatives with no “regulatory” body in place to determine if the spending is being down ethically and in the best interests of communities. One can clearly see that CSI can not sustain itself by continuing on this route.

As shown by the research there is a vast amount of money being ploughed into social projects throughout the country, however, according there appears to be no set way of
monitoring and evaluating this spend. There is also no way to track companies CSI spend throughout South Africa to ensure that every part of the country is benefiting.3

So what does this all mean to South Africa and CSI practitioners? It shows that in order for CSI to continue to grow in South African and continue to make an impact within communities, there is a need for:

7.1 Grantor/Grantee cycle of giving
The traditional grant making cycle is not only outdated but also highly inefficient. Grant cycles should be more sustainable and have their roots in technique 1 (mentioned above) which is a “longer term relationship based approach”.

7.2 Greater collaborations between companies CSI projects
Companies have to start to engage with one another and get a better idea of what each company is doing in the field of CSI. By sharing information, each company’s CSI department will be able to learn and grow, this will then allow for the field of CSI to mature and for the giving to make a true impact in South Africa.

7.3 Marketing and its relationship with CSI
Companies have to put their image or brand aside rather than focusing on CSI as a marketing initiative. Although companies want to ultimately benefit from any money which they give away to CSI project, top management and CSI practitioners have to align their strategies for the best outcome for the business.

7.4 Establish a professional body geared towards CSI practitioners, monitoring and evaluation, tracking of projects
From the research it was clear that more communication is needed within the field of CSI. This may be mitigated if a ‘CSI National Board’ was established and any person who is a CSI practitioner within a South African company could automatically become a member of this board. The board should then track social projects, come up with monitoring and evaluation frameworks or criteria which could be used in a range of projects, and offer education to CSI practitioners and project leaders. For example, a diploma certificate,

3 An initiative in, November 2008, has just been started by Trialogue, called The Social Mapping Project, as stated in the literature review.
which would include the subjects such as ‘Ethical Constructive Giving’ of ‘How to make sure your money is making an impact’? Finally the body should offer monthly updates in the field of CSI as well as free educational and company collaboration conferences.

7.5  **Senior Management Buy-In**

If CSI is to continue, and hopefully make a sincere impact in South Africa there is a clear need for top management, accountants and lawyers to buy into the notion of CSI giving. It was clear from the research that the companies taking CSI seriously are those with senior management buy-in. The companies that appeared to be ‘struggling’ with the notion of CSI giving, and monitoring and evaluation of projects, were those where the CSI manager was battling to get buy-in from senior management.

Companies have to realize that CSI giving in South Africa is not going to go away; rather literature shows that it is in fact increasing. Management has to accept this and instead of ‘paying’ to make the problem go away, should look for ways in which they can in fact benefit.

In conclusion, this research report has investigated two questions relating to CSI giving in South Africa.

- The first question looked at the practices of CSI giving by South African companies in the second, third or subsequent years.
- The second question looked at the relevant monitoring and evaluation criteria or procedures used by South African companies after money or “in-kind” assistance had been given away.

With regards to the first question, this research investigation has shown that South African companies do not necessarily have a clear set process of giving money to social projects in the second, third or subsequent years. Rather each company approaches CSI differently and in line with their own company’s strategy. Although companies use different techniques to grant funding to projects, the research showed that companies that give money on a *year to year basis*, rather than for the life of a project, could be hindering the process of CSI. Social projects do not operate like a business and applying for funds year to year is both costly and an administrative burden. Projects often cannot show that they have been effective in just one year – it takes longer and companies have to start looking at
longer grant cycles. In conclusion the approach of giving is dictated by the individual company and there is no clear set way of giving, however, there is room for improvement through long term project and company partnerships.

Secondly, this research report looked at the monitoring and evaluation used by companies once money or “in-kind” assistance has been given away. From the research report and data collected it became evident that there is no clear way of monitoring and evaluating social giving by companies in South Africa. Although all the research respondents stated that monitoring and evaluation is extremely important for their company, when asked about the procedures they have in place to monitor and evaluate projects most companies just mentioned monthly reports, site visits and annual reports.

As there are no regulations detailing if or how companies should monitoring their CSI spend, each company monitors and evaluates projects (if at all) in their own way. As discussed the only legislation that covers corporate social giving is the B-BBEE Act, which has only recently been enacted into law (January 2007). This Act places a burden on companies to spend at least 1 per cent of their profits before tax on social giving, with the obligation of tracking this spend to make sure it has reached the previously disadvantaged. This obligation by law has increased most companies monitoring of CSI spend, however, as it is relatively new legislation there has been a distinct lag effect so the effects of the legislation can not truly be seen just yet.

This research report has clearly shown that in order for CSI to continue to grow and make an impact in South Africa, the field has to move into a more professional sphere. There is a need for companies to collaborate their giving efforts; partnerships are needed and companies have to move away from trying to protect their brand name. There is also a need for an open line of communication between CSI practitioners in the industry, where each practitioner should learn and discuss giving cycles and trends. An open line of communication will enable the industry to grow and practitioners to learn from each other.

Finally, as CSI is a growing field in South Africa and it is expected to continue to grow, companies, CSI practitioners and social project leaders have to be held accountable for CSI monitoring and evaluation. The effect and impact of CSI will be lost if this industry continues to give money with no clear monitoring and evaluation standards in place.
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The Broad-Based Black Economic Empowerment Act 53 of 2003


The Centre for Effective Philanthropy [www.effectivephilanthropy.org] accessed on 10th August 2008

The Codes of Good Practice for Broad-Based Black Economic Empowerment GN 29617


## Appendices

### 9.1 Appendix - London Benchmarking Group Matrix

<table>
<thead>
<tr>
<th>Community Activity</th>
<th>Inputs</th>
<th>Outputs</th>
<th>Community Benefits</th>
<th>Business Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>Time</td>
<td>Leverage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total cash contributed</td>
<td>Value of the time contributed by employees during company time</td>
<td>The 'at-cost' value of in-kind contributions</td>
<td>Additional contributions to the activity from other sources</td>
</tr>
</tbody>
</table>

**Community and Business Impacts**

Assessment of the long term achievements of the activity i.e. how is the world a better place as a result?
9.2 Appendix - Global Reporting Initiative
### Appendix – Advice, criticism and relevant revision to questionnaire

<table>
<thead>
<tr>
<th>Advice received from</th>
<th>Criticism</th>
<th>Revision</th>
</tr>
</thead>
</table>
| • Friends            | • The layout needed revision; certain questions needed to be asked before or after other questions i.e. the flow needed to be improved.  
• More “open-ended” questions were needed – this was then revised.  
• Clarification on certain questions were needed | • The layout was revised  
• Questions and research was done regarding where more open-ended questions would be beneficial and yield the greatest response rate  
• Each question was looked at and probed for clarification |
| • Two Lecturers      | • Ambiguity in the questionnaire.  
• Certain words were not clear, both lecturers pointed out the importance of not presuming that a respondent will understand.  
• Layout and visual style of the questionnaire  
• Length | • The words which were flagged for being ambiguous were looked at and revised alternatively a new question was constructed  
• The questions were re-evaluated and every question was revised.  
• The visual style went from a word document to using a professional questionnaire application online  
• The length of the questionnaire was shortened from fifty questions to thirty questions. |
| • CSI Practitioner   | • The CSI practitioner was very helpful in pointing out certain questions that were not necessarily | • Research and evaluation was done again to look at what the researcher was trying to answer and whether or not the questions allowed for this. |
Dear __________

I am an MBA student at the University of Cape Town’s Graduate School of Business. I am currently writing my Masters thesis on Corporate Social Investment, focusing on the monitoring and assessment criteria used by large South African Companies, in the second or subsequent years, once they have given money or ‘in-kind’ assistance to a designated organization.

It would be a great help if you could please fill in my questionnaire, this should not take more than ten minutes. The results will be treated confidentially.

To access this survey please click on the following link;


Should you have any questions or concerns, or would like to speak to my supervisor Prof. Paul Sulcas, please do not hesitate to contact me at [REDACTED] or Prof. Sulcas on [REDACTED]

I look forward to receiving your response to this survey as soon as possible.

Sincerely,

Colleen Zulich
### 9.5 Appendix - Questionnaire

**Please do not hit the "Back" bottom as you will lose your work**

1. What is the name of your company?

2. What is your Job Title?*

3. Is there a CSI department within your company?*
   - Yes
   - No

4. Who is in charge of CSI within your company?*

5. How many people work within your company’s CSI department?*

6. For how long has your company been an active participant in CSI initiatives?*
   - Less than 1 year
   - 2 years
   - 3 years
   - 4 years
   - 5 years or more
7. Are the decisions of the CSI function in your company at all connected to the marketing department?*
   - No, there is no connection
   - There is a minimal connection
   - Yes, there is a connection
   - Yes, there is a very strong connection

8. Is your company concerned about the publicity it receives from CSI initiatives?*

<table>
<thead>
<tr>
<th>Rate</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. How would you define your company’s approach to CSI?*
   - Proactive - Identifying needs in communities and pursuing projects
   - Reactive - Responding to requests from Communities
   - Both
   - Other, please specify

10. How many projects is your company currently funding?*
    - 0 to 3
    - 4 to 8
    - 9 to 12
    - 12 to 18
    - 18 +

11. Do you partner with other companies on CSI projects?
    - Yes
    - No

12. If yes, who takes on the responsibility of assessing the performance of the CSI project?
    - We like to be responsible for monitoring and measuring
    - We let them be responsible monitoring and measuring
    - Other, please specify
13. When a grantee applies for a grant do you require them to give you an exact line by line list of items and activities on which they will be spending the grant? i.e. preparation of a "Business Plan"

- Yes  - No

14. If yes, how much flexibility does a grantee have if they would like to spend the grant on something different than was stipulated at the start of a project? *

- No Flexibility, what they say at the start of a project has to be done
- Some flexibility, they have to come to us for permission, and we will evaluate the decision
- Flexible, they just have to tell us what they are doing
- A lot of flexibility, they can do what they please and don’t have to tell us
- Other, please specify

15. What specific reporting requirements do you have in place once grants have been made to a grantee/project?

16. If a grantee does not adhere to the requirements stated in Q.15, what happens to them?*

- Nothing
- They get a warning
- They lose their funding
- They don't lose their funding but, they are never supported in the future
17. How often do you visit your CSI projects / grantees throughout the year and assess the progress being made? *

- Monthly
- Quarterly
- Annually
- Never
- Other, please specify

18. For projects that require funding over multiple years, how does funding get granted in the second, and or subsequent years?

- At the end of each year an application is needed
- It depends on the results achieved in the previous year
- Once a relationship has been established with a grantee, no reapplication is needed
- Other, please specify

19. Has your funding ever been mismanaged by grantees?

- Yes
- No
- If yes, can you give an example?

Monitoring and Measuring
21. Monitoring and measuring the success of CSI projects is very important to our company

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please tick</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

22. How do you track the success of CSI projects?*

- We do not track the success
- We track success through site visits
- We track success through specific and detailed reporting requirements
- We track success through a combination of site visits and reporting requirements
- An independent third party is responsible for tracking CSI project success
- Other, please specify

23. If you do track success of CSI projects, is this tracking based on the amount of money given to the project?*

- No, all projects are tracked regardless of the amount given
- Yes, we only track a project if we have spent a certain sum of money or above
- If yes, what is the amount of money that needs to be spent?

24. If your company does track performance of CSI projects, how often?

- Monthly
- Every six months
- Every year
- Every two years
- At the end of a project
- Other, please specify

25. If your company does not measure a CSI projects performance, why not?*
26. Has your company ever used an independent third party to measure the impact and performance of its CSI projects?
   - Yes
   - No
   - If yes, which company or individual?

27. In your view, what are the biggest challenges of assessing the impact and measuring the performance of CSI projects?

28. Do you think your company could do more in the way of reporting and evaluating the performance of CSI projects and grantees?
   - Yes
   - No
   - If yes, what do you think should be done?
29. Have your CSI reporting standards changed since the inclusion of Code 700 on the Broad-based Black Economic Empowerment Scorecard?

☐ Yes
☐ No
☐ If yes, what difference

30. In your opinion, what is the biggest problem currently facing CSI in South Africa? *
9.6 Appendix – South African Company Respondents

AngloGold Ashanti
Avis
Cell C
Champion Bytes Corporate
Clover
First Rand limited
G M South Africa Foundation
Investec Bank
JMC Brands (Red Bull, Mentos, Lindt Chocolates)
Media 24
Mr Price Group Ltd (CSI vehicle for the Group: RedCap Foundation)
Palabora Foundation (Rio Tinto)
Peermont Emperors Palace
Pfizer South Africa
Rand Merchant Bank
South African Breweries (SAB)
South African Sugar Association
TOTAL South Africa
Transnet
WesBank
Woolworths
## 9.7 Appendix – Example of South African Company CSI Profiles & Spending


<table>
<thead>
<tr>
<th>Company</th>
<th>Budget 2006/07 Rand million</th>
<th>Key focus Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>AngloGold Ashanti</td>
<td>14.1</td>
<td>Education (45%), HIV/Aids (19%), skills training and job creation (13%), welfare and development (12%)</td>
</tr>
<tr>
<td>First Rand Limited</td>
<td>98.8</td>
<td>Community care (38%), education (26%), HIV/Aids (11%), arts, culture and heritage (9%), skills development (6%), environment (6%), agricultural livelihoods (4%)</td>
</tr>
<tr>
<td>Investec</td>
<td>23.8</td>
<td>Education, entrepreneurship, NGO capacity building</td>
</tr>
<tr>
<td>Palabora Foundation (Rio Tinto)</td>
<td>25.9</td>
<td>Education (37%), health (15%), job creation (12%), training (11%), social development (11%), environment (5%), sport (3%), arts (3%) safety (2%), housing (1%)</td>
</tr>
<tr>
<td>Transnet Foundation</td>
<td>60</td>
<td>Sport and recreation (33%), health (30%), arts and culture (12%), woman, youth and child development (9%), entrepreneurial development (5%)</td>
</tr>
<tr>
<td>Woolworths</td>
<td>25.6</td>
<td>Food security in schools, improving education, orphaned and vulnerable children, community giving</td>
</tr>
</tbody>
</table>
9.8 Appendix – Alternative answers given to biggest problem facing CSI

Different answers given included:

- Corporate-to-Corporate Partnerships in delivering projects
- Most of the funding is concentrated in big cities and it does not reach rural areas where it is most needed
- Organizations also don’t share their learning’s
- Lack of Government partnership, support and effectiveness is a huge factor (Corporations come under enormous pressure to fill the gap left by Government and are further criticized for their choices within this industry, owing to the enormity and variety of the challenges facing SA)
- A lack of cohesion and partnership across the industry is also a challenge - working in teams will achieve bigger, more effective impact
- Formalizing the field of CSI and making a CSI Qualification
- Funding is being invested but there are limited success and/or sustainability stories
- Challenges are too complex and there aren’t enough funds available
- Professionalizing CSI
- Budget cuts, where budgets are available the resources and skill to implement the project especially in remote areas
- Too many projects chasing too little money