CORPORATE SOCIAL INVESTMENT:

A BUSINESS IMPERATIVE OR NICETY?

Corporate social investment has become a recognised part of doing business in South Africa. Yet there are still questions being asked about the value that CSI is able to contribute to development and about its rationale for existence. While there may be examples of poor and ineffective practice, if undertaken strategically, CSI can contribute significantly to the socio-economic landscape within which business operates.

A gradual process of formalisation

Once upon a time it was considered to be morally correct to give a small portion of company proceeds to those less fortunate. There was no business directive, or any regulatory pressure, to do so. It was simply a feel-good exercise. Often the selection of good causes was a privilege bestowed upon the company chairperson. Donations were given without fanfare, unaccompanied by overt displays of publicity-driven backslapping.

Then pressures came to bear. Initially the need to show evidence of contributions to community development came from the Sullivan Principles, which affected US-based companies operating in South Africa in the late 1970s. In more recent times, the imperative for CSI arose from the inclusion of socio-economic development (SED) as an element of the broad-based black economic empowerment (BBBEE) scorecard. Companies now set up teams to manage their contributions and dedicate resources to promote their good work. CSI has become a formal and recognised part of corporate South Africa.

Differing views of value

The formalising of CSI has not led to universal acceptance of the value it offers. For many companies, CSI remains on the periphery, a token expenditure of 1% of company profit. For these companies, what counts is how profit is generated in the first place and how the other 99% is allocated. The 'we make it, they spend it' sentiment still pervades certain spheres of business. For others, CSI is the soul of the business, fighting above its weight to provide long-term solutions to the socio-economic ills of our country, and an effective vehicle to uplift surrounding communities. Perhaps both camps can legitimately argue their corners.

There is certainly evidence of ineffective spending – honest attempts to make a difference that are poorly planned and, in certain cases, end up doing more harm than good. Many CSI programmes yield only marginal benefits from the considerable effort and resource that is allocated. The reasons for this failure are many, but the common denominator is superficiality. Disparate initiatives that focus on inputs – and not results – are what give the CSI sector a bad name. Development is complex and multifaceted. Those seeking quick-fix solutions with inadequate levels of investment are setting themselves up for failure.

CSI succeeds only when:

- Impact is truly developmental
- Programmes are relevant to your business.

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Closing the credibility gap

If CSI is to gain universal respect and recognition, it needs to achieve two things. Firstly, it needs to have a demonstrable, positive developmental impact. Secondly, it needs to be relevant to the business that provides the support.

Considering the developmental angle first, a useful point of departure is recognising that development is primarily the responsibility of government. Government spends over R600 billion per annum on education, health and related social services. Trialogue estimates that CSI expenditure, when considered in the broadest definitional terms, amounted to R6.9 billion in 2011/12. CSI can therefore, at best, play a supportive role, aligning with government priorities and linking with broader initiatives that will sustain the effort once corporate funders move on.

It follows that there are other basic practices which need to be followed to ensure successful outcomes. Engaging with those affected, designing holistic solutions and understanding the boundaries of involvement are important elements of a proposed intervention. Most importantly, ongoing monitoring of outcomes is the only way in which those implementing CSI programmes will know whether they are making progress or not.

To establish greater credibility, the CSI sector needs to prove itself in developmental terms. It is equally important to justify CSI expenditure to the business. CSI budgets are effectively drawn from shareholder funds. This is different to private philanthropy where individuals or representative trustees are at liberty to decide on how to spend their money. Decisions about CSI spending must be justifiable to business owners – or at least to the executives acting on their behalf. This calls for a business case for CSI. Whether this is premised on licence-to-operate, stakeholder or other strategic imperatives, spelling out the business case adds to the internal credibility of CSI, a factor that should not be under-estimated.

The business case, if properly made, can be compelling. A well-conceived CSI programme can offer a company strategic benefits, evidenced through an actual improvement in the competitive position of the company over the long term. Relationships with product and market development, alignment with key stakeholder interests, contribution to staff satisfaction and linkages to corporate image and brand identity can lead to tangible gains for business.

Commitment implies following through

For mining companies, healthy industrial relations and wage negotiations are critical to business continuity. The consequences of the breakdown in these relations, as evidenced by recent events in Marikana, are all too severe. However, a less obvious, but increasingly important, issue is the quality of living standards surrounding mines. Communities and the media are quick to expose slum-like conditions, unmanaged dump-sites and shacks without access to sanitation. Yet these conditions prevail in spite of the noble principles espoused by the mining charter and substantial investments by mining companies in infrastructure projects.

So where is the system falling short? In part, the lack of visible impact is due to the piecemeal approach that mines adopt in their efforts to have social and labour plans (SLP) approved. Projects are agreed and delivered, supposedly in partnership with the integrated development plans (IDP) of municipalities. However, after investments are made, we find clinics that are poorly planned or not adequately staffed, schools that are not maintained or properly run, and, all too often, there is no one to pick up the ball and drive effective outcomes. It may not be the responsibility of mines to do so, but perhaps stronger partnership terms with government, and an eye on the end goal rather than on individual projects, would yield more sustainable outcomes. And that must surely be in the interests of mining companies.

New draft codes – a step in the wrong direction

The draft BBBEE codes, currently out for comment, seek to direct CSI funds to income-generating projects and 100% black beneficiaries. Overly prescriptive regulations will surely be a setback for the CSI sector. CSI funds are, in any event, predominantly spent on black beneficiaries, and if a company can make an optimal impact by investing in education or health, why should this be discouraged?

A company with a dominant presence within a small community will benefit from supporting that community through holistic interventions. On the other hand, a national company with expertise in ICT, for example, may do better by utilising its technology platform for social good. Think about the impact that a company like Vodacom can have in supporting HIV/Aids messaging through a mobile network that reaches millions. Forcing companies into unfamiliar developmental spaces will simply entrench a compliance mindset, increase the costs of verification and take us back to the fragmented and largely ineffective thinking of the past.

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Rephrasing the CSI imperative

As with most things in life, behaviour is influenced by incentives. Currently, the business sector is incentivised to spend 1% of NPAT on CSI in order to obtain points on the BBBEE scorecard. Mines are compelled to agree on and deliver projects that are part of their SLPs. There is no incentive or obligation for business to report on the effectiveness or sustainability of their efforts. Nor is there any directive or accessible mechanism for companies to utilise their core competence in establishing developmental partnerships with government. So perhaps government is getting what it is asking for – unco-ordinated injections of cash into a vast array of disparate initiatives.

This is not always the case. We are increasingly finding companies which, in pursuit of leading practice, are asking a different set of questions. They are exploring how to utilise their business footprint and competence to improve socio-economic conditions, they are measuring outcomes and refining methodologies, and they are building knowledge and influencing others in their chosen field of development. Importantly, their eye is on the ultimate objective of achieving a significant and sustained impact, accompanied by describable business benefits. Let's hope that these companies are able to maintain their good work in spite of well-intended regulatory drivers and their unintended consequences.