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NGO's as Stakeholders in Corporate Social Investment in South Africa

University of the Witwatersrand

School of Development Studies

Research Report

Submitted to the faculty of humanities in partial fulfilment of

Master of Arts (MA) in Development Studies

By Razia Diedricks

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Declaration

I declare that this research report is my own unaided work.
It is submitted for the degree of Master of Arts in Development Studies at the University of the Witwatersrand, Johannesburg.
It has not been submitted before for any other degree or examination at any other University.

Signed_____

this 30th day of July 2014

Razia Nadia Diedricks

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To my family and friends: your support, kindness and encouragement are worth more than I could ever let you know.

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Abstract

The research project examines the context in which modern-day CSI practises have unfolded in South Africa. It examines the space occupied by NGOs in the practise against the backdrop of post-apartheid policies and legal frameworks. The report presents the findings that due to the high level of developmental challenges in South Africa accompanied by the country's unique legacy of apartheid, the practice has unfolded along racial prescriptions, particularly in the form of Broad Based Black Economic Empowerment (BBBEE). Various requirements in the form of donor prescriptions and interventions as well as compliance with policy has led to the practise being formalised leading to structural changes in many NGOs which has been accompanied by both positive and negative implications. The findings challenge the notion that NGOs are dancing to the donors tune based on their resource dependence and posits that a more emphatic articulation of the currency and value which NGOs possess in the form of values, knowledge, creativity, experience and expertise could result in more strategic engagement with donors that could lead to sustainable partnerships versus the current state of philanthropy based CSR.

Abbreviations

BBBEE - Broad Based Black Economic Empowerment

CSI - Corporate Social Investment

CSR - Corporate Social Responsibility

DSD - Department of Social Development

NGO - Non Governmental Organisation

NPO - Non-profit organisation

RDT - Resource Dependency Theory

ROI - Return on Investment

TBL - Triple Bottom Line

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Chapter 1: Introduction

Why does Corporate Social Investment (CSI) matter?

The developmental challenges of South Africa are growing as is the population. Where the trends have been to cut back internationally on social spending South Africa has, to a large extent gone against the grain and increased spending with social grants having been extended from the capped age of 12 years old for child recipients to 16 years as well as the pension age of men being reduced. “Coverage of social grants has increased significantly in the country, from just over 2 million beneficiaries in 1996/97 to almost 14 million in 2009/10 (ODI, 2011). A report by Unicef suggests that this figure is deceptive because despite South Africa’s social spending being higher than that of countries at the same level of development, “the quality of services lags behind and the country performs poorly in a number of areas.” (Unicef, date unknown). The reach of the state and what it is able to accomplish and implement remains restricted due to challenges such as corruption, lack of capacity and expertise which the various departments face.

The reality of South Africa’s population growing, further exacerbated by the Aids pandemic, means that despite government’s efforts to address the many social and economic challenges faced daily by the population, the Herculean task of development remains.

Assigning this task of development completely to government is unrealistic even if one classifies a country as a developmental state. Any attempt to find a solution to the challenges involving only one (regardless which one) sector of society would be fruitless. A multi-sectoral intervention would be the best way to approach the problems at hand.

One such approach is the practise of Corporate Social Investment (CSI). Despite resistance from many businesses and well-founded scepticism that business silences or pacifies voices of discontent through the practice, CSI exists as a practice which represents an agreement between willing corporates, government and citizens to combine forces and tackle the ubiquitous social and economic problems in South Africa. When one considers that the turnover and profits of some

businesses exceed that of some countries-the financial input from companies to combat developmental challenges in the environments in which they exist and profit cannot be ignored. Apart from the financial strength that companies possess, the profit motive of businesses has resulted in an evolution in management practices and strategies that have cultivated their growth and longevity.

The proliferation of NGOs in the last decade has seen them become a part of nearly every discussion pertaining to development. The arena of CSI sees NGOs frequently being the conduits for the disbursement of funds and the unelected voice of the often vulnerable beneficiaries of the different projects undertaken under the umbrella of CSI. They are faced with abiding by regulations from government, requirements of donors and rising expectations of beneficiaries all while trying to stay afloat in an ever challenging funding environment. The relationship is a very complex one.

Examining the relationship and impact of the relationship between business and NGO's is very important when looking not only at the proliferation of NGOs in the last two decades but also the establishment and growth of CSI as an industry which seems to present a hopeful approach to the development agenda. It is by no means a panacea or flawless concept, but given the urgency and magnitude of the social and economic challenges which exist, one which warrants thorough investigation, attention and debate in an effort to ensure maximum benefit to all parties involved.

The research project examines the context in which modern-day CSI practises have unfolded in South Africa and presents the findings that due to the high level of developmental challenges faced by the country accompanied by the country's unique legacy of apartheid, the practice has unfolded along racial prescriptions, particularly in the form of Broad Based Black Economic Empowerment (BBBEE). The formalisation of the practise has resulted in NGOs undergoing structural changes based on compliance with policy, but also to a large extent because of donor requirements and interventions. The findings challenge the notion that NGOs are dancing to the donors tune based on their resource dependence and posits that a more emphatic articulation of the currency and value which NGOs possess in the form of values, knowledge, creativity, experience and expertise could result in more strategic engagement with donors that could lead to sustainable partnerships versus the current state of philanthropy based CSR.

Framing the Research Question:

Resource dependency theory (RDT) holds that the environment is a source of critical resources to an organisation and organizations will tend to be influenced by those who control the resources they require (Pfeffer and Salancik, 2003) The theory is based on the hypothesis that the one who is in control of the resources has power over the one who requires it. The authors emphasize that it is important to understand the influence of external forces on the organisation. "The central thesis of this book is that to understand the behaviour of an organization you must understand the context of that behaviour - that is, the ecology of the organization" (Pfeffer and Salancik 2003: 1)

This dissertation will examine the NGO sector in general as opposed to one specific organisation. Being reliant on external funding, volunteerism and goodwill, the very nature of NGO's is a dependent one and therefore makes this theory an apt one for examining the relationship of an NGO as a stakeholder in CSI especially when looking at two ideologically distinct actors, namely corporates and NGOs.

In a NGO-business relationship, where NGOs are primarily dependent on the generosity of donors, if resources determine the power dynamics, it would indicate a relationship in which the NGO has very little influence and bring into question the relevance or importance of the role of the NGO. By adopting the concepts of the tangible and intangible economy we can examine whether the financial power that businesses wield is the ultimate resource or whether by means of an exchange of resources, NGOs can still maintain the credibility they have as development actors. We will look at how the platform of CSI has affected NGOs in South Africa and the role that NGOs have played in the practise as it exists today by asking the following question:

What are the perceptions, experiences and expectations of NGOs in CSI in South Africa?

In an attempt to answer the research question, the researcher will:

1. Examine the legislation and policies which inform the practice of CSI in South Africa

2. Explore the role that NGOs play in CSI in South Africa
3. Assess the way in which the practise of CSI has affected NGOs in South Africa
4. Analyse how NGOs cope with the dependence that they are subject to.

The dissertation will start with a section on the methodology used in the research report. This is followed by a chapter examining the definitions of an NGO, why they are started as well as the identity and participative roles of NGOs in order to understand better why they are positioned as development actors abroad and in South Africa.

This will be followed by a look at the concept of CSR/CSI which will include a look at the way in which it has been influenced by the context of unfolding in a developing country.

The chapter thereafter looks at the space of CSI and the role that NGOs play. Chapter six focuses on the South African context, specifically the policies which have informed the practise of CSI as well as the Act which governs the operation and registration of NGOs in South Africa.

Chapter seven addresses the experiences, expectations and views of the various NGOs which were interviewed in relation to their interactions with corporates in South Africa.

Chapter eight presents a conclusion on the entire research project summarising key findings.

CHAPTER 2: Method

The aim of this study was to explore the experiences of NGO's as stakeholders in Corporate Social Investment in South Africa. This was done by adopting a qualitative approach which 'allows you to identify issues from the perspective of your study participants and understand the meanings and interpretations that they give to behaviour, events or objects" (Hennink, Hutter, and Bailey, 2011, p.9). It also allowed for "intricate details of phenomena that are difficult to convey with quantitative methods." (Corbin and Strauss, 1990, p.19).

Each NGO has different experiences and the open ended nature of questions allowed for them to express and speak around issues which they felt important. This is critical when trying to understand or examining how and why they feel about certain issues and is a lot more favourable than a quantitative approach which curtails insight in the form of brief responses.

By interviewing NGOs I was able to explore, probe and interrogate responses picking up on body language, tone and facial expression. By interviewing a small group, I was able to cover a range of issues in great detail.

The initial research would have been conducted amongst beneficiaries of Corporate Social Investment projects in Marikana by the mining group Lonmin. This was to take place during the months of September 2012 to January 2013 but the project had to be amended subsequent to the Marikana tragedy of August 2012 in which 34 people were killed and 78 injured. The decision to change the project was based on consultation with the NGO Benchmarks, the management of Lonmin as well as my research supervisor, Stephen Louw. Eric Mokuoa, a fieldworker at Benchmarks who works closely with the community based organisations (CBO's) in Marikana agreed that the tragedy would affect and skew the data collected from community members, many of whom had been directly affected by the massacre and had publicly apportioned blame to the mining company. Despite Benchmarks critical stance on the effects of Lonmin's mining operations, Eric concurred that the sentiment in the community was "extremely negative" and the incident still "very fresh" for the purpose of my research. (Telephone conversation, 02 September 2012).

After a few months it was decided to conduct the research amongst various NGO's in South Africa as stakeholders in CSI. Interviews were conducted from May 2013 to January 2014 across different NGO's in South Africa.

NGO selection

An invitation to participate in the research was sent out to a random selection of 90 NGO's chosen from the NPO register database as well as the recipient list from Tshikululu's (a CSI management company which administers many of the large corporate companies' CSI Budgets) annual report, their inclusion of which would indicate participation in CSI initiatives. In order to conduct a qualitative study examining finer details, a small group was decided upon.

Random and convenience sampling were use which also led to snowball sampling since some NGOs referred friends in the NGO sector who they thought would be keen on being part of the research project. Three rounds of attempting to contact, via telephone and e-mail were conducted. This was done with intervals of about a week, in an attempt to not seem too forceful or be perceived as pressurising NGO's into participating.

Random selection allows for the best opportunity to generalize the results to the population. This is not always the best method for qualitative research but was done in attempt to get a variety of NGOs involved in the study. The weak response rate (less than 10 from ninety) led to convenience sampling which involved referrals by friends and colleagues and an element of snowballing, when interviewees referred me to other willing participants. (Strauss and Corbin, 1990)

The NGO's were spread across different sectors including welfare, health, education, arts and economic development initiatives with the hope of exploring a range of different organisations and evaluating the similarities and differences of the experience of NGOs across sectors.

The invitation was sent out electronically and where possible, followed up telephonically. Some e-mails were returned by servers indicating that addresses were incorrect. Follow up telephone conversations proved to be helpful in some instances and in others cases, numbers were no longer valid. Trying the website

addresses revealed in some cases that spelling in the addresses was incorrect and in some instances, NGO's no longer existed.

The invitation included the qualifying criteria of receiving funding from corporates with a request to provide reasons if they did not receive corporate funding. Only six NGOs responded to this request.

Responses

Two NGO's responded that they did not receive and were not interested in receiving corporate sponsorship since "we oppose capitalistic exploitation and influence" (Anonymous respondent 1-advocacy group, telephonic follow up, 15 May 2013) and "stood against everything corporates were doing" and "are trying to explore alternatives" (Anonymous respondent 2-advocacy group, telephonic follow up, 16 May 2013).

Four others responded that they did not receive funding despite extensive attempts.

One of the above NGOs advised that they were an organisation run by white males and despite their NGO offering soft skills training and Maths and Science support, their ownership and management composition "does not fit the BEE requirements that many corporates require for funding" (anonymous respondent 3-education, 16 May 203, telephonic follow up). The two others lamented difficulty in accessing funds, saying that processes were complicated and that they "have little time to fill in all the forms, there was also a language barrier, the person spoke very little English and I imagine this made the process very difficult (anonymous respondent 4-home based HIV care, telephonic follow up, 17 May 2013)

One of the four responded that the organisation he had founded was less than two years old and that the corporates he had approached required more experience and a proven track record.

In the end, after some politely declined due to different reasons (mostly limited time and resources), 15 NGO's were interviewed, (excluding the abovementioned). Twelve interviews were conducted face to face, while 3 responded via e-mail.

Six of the respondents were organisations with linkages to my personal network or direct referrals by other NGOs interviewed.

As opposed to a dyadic approach, NGO's were interviewed in relation to other stakeholders, namely government, beneficiaries, businesses as well as other NGO's.

Interviews included questions relating to experiences that NGO's had with businesses, government as well as the beneficiaries of the various programmes the NGOs were involved in.

Face to face interviews

Interviews were conducted at the premises of some NGO's and three at a coffee shop. The researcher was able to establish a good rapport with most of the interviewees. All except three face to face interviews were recorded. A fourth interviewee, after initially declining, halfway through an interview, agreed to be recorded. The researcher ascribes this to having gained the trust of the interviewee.

Participants occupied various positions in NGO's. Four founders were interviewed. The rest were staff members occupying different positions in the organisations.

Key informant interviews included the Director of Benchmarks, the Executive Vice President of Human Capital (Lonmin). Various attempts were made to contact and invitations were sent to the Department of Social Development, with no response. The interviews lasted between 40 minutes and 120 minutes each and follow up interviews as short as five minutes as they focused on key questions or issues. Having done semi-structured interviews the content varied across interviews and some issues arose later in the process that warranted follow ups with earlier participants.

Geography was limiting, but technology in the form of telephones and e-mail did facilitate this issue. This data (from the e-mails and telephonic conversations) is not as rich as would have been with the ability to probe and see body language, tone and facial expressions to facilitate the questioning that face to face interviewing affords. Follow up interviews and e-mails did present the opportunity to expand on areas where the respondents may have been vague or where responses indicated a misunderstanding of the question.

Interviews were transcribed where after important themes were highlighted and in some instances follow up calls were made. The notes made from the coding exercise were then used to formulate the research report.

Document analysis

Apart from the interviews, extensive document analysis was embarked upon. This involved primary documents such as the BBBEE Act, the NPO act as well as the SRI of the JSE, The King Report (ii and iii). This was to enable the researcher to locate the NGO's within the South African context and the unique policies and laws which influence their behaviour. CSI is not governed or legislated by a specific act which makes contributions obligatory and is by and large a voluntary practise but the compliance with the above is highly relevant and shaped by various policies which determine the engagement of corporates with NPO's.

Newspaper articles, websites, blogs and publications were accessed as were other research papers that contributed to the literature review as well as the content chapters.

A combination of these approaches yielded a much nuanced look into the experiences, perceptions and expectations of NGO's within the practise of CSI. Not all of the data gathered is presented in the research since the scope of a Masters Research Report does limit the amount of information included.

Ethical Considerations

In carrying out my research I conducted myself in a professional manner with integrity and a high regard for ethical research practices. I promised participants confidentiality as well as anonymity in my reporting where required since some of them felt that revealing their identities may influence their relationships with donors and prospects for future funding, hence the use of pseudonyms. This was a blanket decision with NGOs, key informants are however mentioned by name. I obtained informed consent from all participants who were issued with an information sheet about the research. The contents of the information sheet were explained to participants as was the fact that participation in the research was voluntary.

CHAPTER 3: Non-Governmental Organisations (NGOs)

In order to understand the importance of NGOs as stakeholders in CSI, a history of the sector's evolution as well as its strengths and weaknesses in the development field is important since the role they play in CSI is as facilitators of development. This discussion will be followed by a brief look at their South African history. This is done in order to create a context for the ensuing discussion on their role in CSI in South Africa.

NGOs: Definition

Non-governmental organisations, (NGOs) have increased in size and scope, numbers and influence in the last few decades and have been highlighted as important role players in development internationally. (Fisher, 1997, Lewis and Kanji, 2009, Banks and Hulme, 2012). The broad umbrella which houses NGO's creates great difficulty in tracing the first NGO's. The understanding of NGO's as "do good organisations" however allows us to accept that they have been in existence since time immemorial. Where there have been people in need, and others have organised themselves to assist those in need, though without the current terminology, we can deduce that some sort of NGO existed since they can be "seen to have emerged from longer terms traditions of both philanthropy and self-help common to all societies". (Lewis and Kanji, 2009, p. 46)

The origins of the term NGO can however be traced back to the United Nations when the term was formalised by the "passing of Resolution 288 (X) by the United Nations Economic and Social Council on the 27th February, 1950" (Vakil,1997, p. 2068*).* NGO was used to describe organisations which were neither governments nor member states. Initially the term referred to 'any international body that is not founded by an international treaty', but has since been amended to be much broader: "not-for-profit, voluntary citizen's group, which is organised on a local, national, or international level to address issues in support of the public good" (Vakil,1997, p. 2068).

The use of the term spread well beyond the United Nations and developed variations such as NPO (non-profit organisation), NGDO's (non-governmental development organisations), PVO (private voluntary organisations) among others (see Table 1).

Although many of these organisations receive government funding from and often work alongside and partner with governments, independence from a government is a characteristic of NGO's as indicated in the wording of the term itself. Despite the varying activities of NGOs and the dynamic nature of the term, this independence from government and the criteria of non-profit sharing persist in the characterisation of the sector. This taxonomy is followed in the definition provided in the Non-profit Act of 1997 in the South African constitution, which defines a NGO (NPO) as: "a trust, company or other association of persons that has been established for a public purpose and the income and property of which are not to be distributed to members" (Republic of South Africa 2009, p. 3).

Vakil provides the following definition "self-governing private not for profit organisations that are geared to improving the quality of life for disadvantaged people." (1997, p. 2060) For the purpose of this study this definition is most apt, because despite the various technical difficulties that defining the term NGO presents, the study intends looking at NGOs as they are most commonly understood, which is as organisations that "do good" (Fisher, 1997). The World Bank's definition of the NGO: "private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development" (Operational Directive 14.70) also provides a good definition aligned to the understanding adopted in this study.

Many have attempted to explain the sector and its importance by trying to group the different types of NGO along different lines including, Northern and Southern NGOs, sectors in which they perform, funding that they receive etc. The following table extracted from Lewis and Kanji (2009) shows a list of different names and variations of the types of organisations that have come into existence as the sector has evolved.

Table 1

NGO acronyms

AGNs	Advocacy groups and networks	MSOs	Membership support organizations
BINGOs	Big international NGOs	NGDOs	Non-governmental development organizations
BONGOs	Business-organized NGOs	NGIs	Non-governmental interests
CBOs	Community-based organizations	NGIs	Non-governmental individuals
COME'n'GOs	The idea of temporary NGOs following funds!	NNGOs	Northern NGOs
DONGOs	Donor-oriented/organized NGOs	NPOs	Non-profit or not-for-profit organizations
Dotcause	Civil society networks mobilizing support through the internet	PDAs	Popular development associations
ENGOs	Environmental NGOs	POs	People's organizations
GDOs	Grassroots development organizations	PSCs	Public service contractors
GONGOs	Government-organized NGOs	PSNPOs	Paid staff NPOs
GRINGOs	Government-run (or -inspired) NGOs	PVDOs	Private voluntary development organizations
GROs	Grassroots organizations	PVOs	Private voluntary organizations
GRSOs	Grassroots support organizations	QUANGOs	Quasi-non-governmental organizations
GSCOs	Global social change organizations	RONGOs	Royal non-governmental organizations
GSOs	Grassroots support organizations	RWAs	Relief and welfare associations
IAs	Interest associations	SHOs	Self-help organizations
IDCIs	International development cooperation institutions	TIOs	Technical innovation organizations
IOs	Intermediate organizations	TNGOs	Trans-national NGOs
IPOs	International/indigenous people's organizations	VDAs	Village development associations
LDAs	Local development associations	VIs	Village institutions
LINGOs	Little international NGOs	VNPOs	Volunteer non-profit organizations
Los	Local organizations	VOs	Village organizations
MOs	Membership organizations	VOs	Volunteer organizations

Taken from Lewis and Kanji (2009, p. 10)

Arenas makes use of the term, “social purpose NGOs”, which includes organisations which fight against poverty, are involved in environmental issues, deal with human rights issues etc. This paper will borrow the term to describe the type of NGOs included in the study. We choose to differentiate here, as does Ebrahim, (2005) between membership or club NGOs where the clients or beneficiaries are different to the members and resource dependence plays a bigger role since the organisation relies on external funding and not on membership fees. This distinction is also important since accountability shifts from members being accountable to each other and themselves, to external parties, namely donors (upward) and beneficiaries (downward) which is important in understanding resource dependence and how this accountability shapes the NGOs organisational identity and operations.

NGOs: Why are they started?

The establishment of NGOs has different roots, ranging from faith-based organisations, personal interest groups and even business initiatives. There is however a general belief that “social purpose” NGOs are founded on altruistic principles, that they are started as organisations with the intention of doing good and assisting its members or external beneficiaries that is: “those intended to benefit from NGO activities, the primary stakeholders of a development or a humanitarian intervention, usually in a state of poverty, marginalisation and vulnerability (Bond, 2006, p, iii). The assertion by Bhose that peoples development necessitates “voluntarism, commitment, devotion, dedication and sometimes sacrifices too” reiterates the importance of altruistic acts in advancing development which may be good when done randomly but can be more impactful when organised as is the case of NGOs (2003, p. 2). He argues that these are qualities that NGOs possess and positions them well for the demands of development. A distinguishing feature of NGO approaches is the proximity to the people which is ideal to ensure active participation. The desire to assist those in need in more than a random or individual capacity often gives rise to the establishment of NGOs.

NGOs: Identity

Apart from l the advantages that NGOs are believed to have, their status as “the golden child” in development and the largely unquestioned role of the voices of the poor is based on the assumed innate values of NGOs. ‘‘Values’’ are an essential part

of non-government organizations' (NGOs') identity, distinguishing them from other sectors and contributing to their legitimacy (Jakimow, 2010, Fowler, 2000 Hailey, 2000) .The research on NGO values is very limited and despite their importance, values are often examined superficially in the literature on NGOs, with normative approaches suggesting a set of values intrinsic to the sector, or critiquing NGOs for failure to live up to them. Values become very important in this study as within the framework of the intangible economy, this becomes the asset with which NGOs can alter the commonly held opinion that they have to dance to the donors tune.

> …legitimacy is claimed and maintained through demonstrated conformity with locas and regulations, accepted practice standards, public expectations, the terms of the contracts they sign and the values they espouse. The expectation (in much NGO rhetoric and writing) is that it is conformity with values in this list that provides the bottom line in claiming legitimacy in this way (Edwards, 1999, p. 258).

NGOs are ideologically different to business with anecdotal evidence of staff and by extension the organisations being value based, with a commitment to doing good for those less fortunate. This is a characteristic which distinguishes NGOs in general as a grouping. When looked at individually under the assumption that these characteristics are inherent to NGOs, standing out as a choice for a donor as a beneficiary or partner in a CSI initiative may prove difficult. One way of overcoming this difficulty may lie in the corporate identity of an NGO. The literature on corporate identity in relation to NGOs is scarce, but the concept can be easily applied to NGOs as organisations. Corporate identity refers to: "the organisations presentation of itself to its various stakeholders and the means by which it distinguishes itself from all other organisations" (Marwick and Fill in Melewar and Jenkins, 2002, p. 76)

Corporate identity is viewed as important in NGO relations as the manner in which they present themselves to donors and beneficiaries is very important in how they will deal with the dependency issues. Arenas et al found that Spanish NGOs: "clearly show self-confidence as regards their role in CSR, and their self-perception coincides only partially with the perceptions of others" (Arenas et al, 2009, p.190) This difference in perceptions served as the basis for tensions with other

stakeholders, especially trade unions which formed part of the study. Hailey (2004, p. 163) contends that “If NGOs, of various types, are to distinguish themselves from other recipients of aid funding, they need not only to be seen to have sufficient organisational capacity and to use such funds effectively, but also to identify, articulate, and nurture their own core values and identity.”

NGOs: Participation

Participatory development which emerged in the seventies as a desirable approach to development projects, gained popularity in the eighties and has permeated every sector in development in the new millennium is itself riddled with flaws and criticism from different areas. The essence of what has elevated participation to a key driver in development is well captured in the belief that: “without participation, the people may benefit but not develop”. (Finsterbusch and Van Wickeln III,1987).

The humanist approach which gained popularity in the 1980’s placed these stakeholders at the heart of the development approach. This marked a shift from broader macro-economic strategies to more people or project centred ones with human development at its centre (Theron, 2008). This approach advocates for the empowerment of beneficiary communities with the ultimate goal being that they should be the drivers of their development.

Chambers (1983) highlights the extent to which donors or as he refers to it, “core nations” embark on rural poverty tourism exercises on which to base their prescriptive methods of development. Though this book was part of the body of literature that paved the way for development more than two decades ago, it is sad that this practise still persists. Brief encounters with locals may be deemed as consultation and used to tick the box of participation. This superficial level of engagement is often a result of donors believing that they are best able to determine necessary intervention for development where they “dismiss domestic competence and assume foreign knowledge” (International Council on Human Rights Policy, 2000). The role of NGOs as representatives of beneficiary communities in these exercises cannot be overstated. By ensuring that the needs and abilities of the

community are analysed and understood, NGOs should lobby for their expression and inclusion and use in the design of interventions which donors wish to implement.

Despite the criticism that participation has attracted as “a buzzword”, it remains and continues to form the basis of what good development entails as promoted by the Bretton Woods institutions. Oakleys observation that “while many hundreds of development projects actively promote peoples participation, the majority still lack a participatory dimension and thus fail to improve their chances of sustainability” (1995, p. 27) is a good summation of the state of participation in development and further supports the need for research into NGOs as stakeholders since they are the organisations in which much faith and expectation are vested in to cultivate this approach.

Many of the advantages of NGOs dovetail with the notion that participatory approaches are the best way to address to developmental challenges. With states cutting back and leaving a gap in the provision of services, NGOs presented an attractive alternative to state intervention.

The strengths of NGOs and what positioned them well for development include the belief that:

- NGO’s are governed by high ideals and principles
- They are committed to serving the poor voluntarily
- They work for and with the people
- Their work is not clock bound
- They are quicker in decision making, very flexible
- They are visionaries of social change
- They reach the unreached
- They are specialists in community organisation
- NGO workers are endowed with missionary zeal and commitment

(adapted from Bhose, 2003, pp176-180)

Other claims about NGOs include, their cost effectiveness, their focus on reaching the poorer and needier, as well as their innovative capacities. (Nzimakwe ,2008)

The neoliberal project as promoted notably by Ronald Reagan and Margaret Thatcher resulted in a niche that NGO's snuggly fitted by providing services and relief that government had receded from or chose to outsource. Aid agencies and governments employed the services of these NGOs in an effort to make use of their grassroots character to reach those most affected by the austerity measures that the structural adjustment had resulted in. NGOs presented a change to the top-down approaches of government interventions. "Disappointment with the performance of aid-funded projects implemented by governments and the current ideology of comparative advantage which underpins structural adjustment policies have, in the period 1975-85, justified a 1400% global increase in the official assistance available to NGOs" (OECD in Fowler, 1991, p. 55). The following table as extracted from Banks and Hulme (2012, p.6) summarizes the paradigms of NGOs as development alternatives.

Table 2

Until late 1970s	A limited number of small NGOs receiving little external support constitute the NGO sector. Most are northern-based with a southern presence, often based on religious assistance and/or in short-term relief.
Late 1970s to 1980s	The NGO decade' takes place amidst the Western pursuit of neoliberal agendas, with NGOs emerging as a promising development alternative.
Late 1990s:	Alongside emergence of the good governance agenda, the first concerns surrounding NGOs take off alongside a focus back on the role of the state.
2000s	A new international aid regime promises greater consultation and focus on non-growth factors. NGOs with their people-centred, rights-based, and grassroots-driven approaches are well-suited to

	continue riding the NGO wave.
2010s	With persistent concerns of NGOs remaining unaddressed and recognition of their limited success in advocacy and empowerment, there is increasing recognition that NGOs are only one sector within broader civil society and they must reorient themselves with their grassroots-roots

Banks and Hulme, 2012, p.6

Due to changes in economic policy which imposed austerity measures and a roll back of the state, a platform for the growth and of NGOs was created. The sector flourished with funding from various agencies and governments which outsourced many social and welfare functions. Their grassroots, people centred approaches favoured them as development actors. Currently questions are being raised about their legitimacy based on the increasing evidence of professionalization, bringing into question whether any comparative advantages exist as they come under pressure from donors to conform to their expectations, casting doubt on their accountability to beneficiaries.

NGOs in South Africa-Pre 1994

The role and development of NGOs in South Africa has been captured under many headings with their role in fostering democracy being more pronounced in the literature based on the country's unique political landscape which has profoundly shaped the history and roles of NGOs along the lines of race (Heinrich, 2001, Naidoo, 1999). South Africa's history has been marred by racial tensions since the 1700's with the arrival of European settlers and failure to mention the gravitas of this divide will rob this study of much needed context.

The lack of support for NGOs that were not directed towards the needs of the white population before the 1980's was alleviated in the PW Botha period by the flow of international funding which went directly to NGOs which managed to operate even though the environment towards them remained hostile (Habib and Taylor, 1999). Some of the needs of disenfranchised South African were addressed during this time

by NGOs receiving external funding as well as those serving the white population receiving state funding and support from the apartheid government who operated under various guises. During this time as well as the period of transition to a ANC run state, Heinrich (2001, p.4) argues that the NGO's played an important role as: (1) as "schools of democracy," (2) in mitigating societal conflicts, and (3) as effective channels of interest representation for the poor. .

Post 1994

The transition to democracy coincided with the important period in which NGOs were assigned an elevated role on the international development agenda. NGO's grew in size and number due to an "unprecedented volume of funding and knowledge" (Heinrich, 2001, p. 4). The South African government also provided a positive legal environment for NGOs by establishing a directorate to implement the NPO act of 1997 which laid down guidelines for registration of NPOs. Habib and Taylor highlight one of the momentous features of the bill as the repeal of the fundraising Act of 1978 which "had limited NGO abilities to raise funds" (1999, p.77). The Act also called on NGOs to submit audited financial statements, based on the broadened scope for income and tax benefits which registration allowed for. This meant that a lot of activities had to be formalised and financials properly documented.

The ushering in of the new government saw Civil Society Organisations (CSOs) including NGOs experience a brain drain with a loss of many skilled persons to government positions. The sector in general is said to have been weakened in the early years of democracy, because of the strain placed on of human resources despite the numbers depicting an increase in organisations, where "…the sector as a whole lost more than 60% of its senior staff to government and the private sector since 1990" *(Mail & Guardian,* August 22-28, 1997 in Habib and Taylor, 1999) but also because of an identity crisis which NGOs had experienced during the transition. The political landscape also impacted the nature of the sector and the work which it did. During the transition phase there was a noticeable shift from "advocacy to delivery" with NGOs seeing "their role as doing the work of the state" (Graham in Reitzes and White, 2010, p105). This was a big shift from opposing the state.

The position of NGOs “filling the cracks left by the state” (Interview with Imraan Buccus, Reitzes and White, 2010) continues today as the South African government struggles to meet the developmental needs of the population and relies on the sector a great deal for service delivery in various sectors. This is in keeping with the postulation that, “Non-profit provision of collective goods will be large in societies with high levels of inequality in individuals’ effective demand for collective goods or high degrees of religious or ethnic heterogeneity.” (Sangonet, Stuart, 2013)

As a result of the socio-economic landscape in South Africa plagued by extreme cases of poverty and inequality, the HIV pandemic and an education system fraught with inefficiencies, basic needs are being prioritised with the advancement of structural changes through advocacy being relegated, especially in the sphere of funding. This has benefitted the state since advocacy usually involves pressure on the state to address systemic problems which may be interpreted as an attack on the state versus implementation which results in state services being delivered and alleviating the delivery and obligations of the state. Despite still addressing a failure of the state, service delivery is an assisted role not an antagonistic role. This type of engagement is promoted but may also be part of a larger culture of acceptance by NGOs: “Rather than challenging the way the world is, the tendency is to accept and adapt to – and therefore reinforce – the way the world is, as though nothing significant or structural can be changed, so it must be managed and ameliorated.” (Murphy, 2001, p. 343)

The somewhat Utopian expectations that democracy would require less of a critical eye on government could be part of what subdued the critical role that NGOs had previously played. Their close relations with government based on staff linkages (where many ex-NGO senior personnel became policy drafters) have meant that many NGOs were aligned to the economic policies of government. This has fostered a sector prone to promoting the state agenda, as stated in Marais (1998, p. 213) “under the canopy of economic policies like GEAR, NGOs' roles tend to harmonize with standard neo-liberal logic as they toil in the wake of development and welfare responsibilities shirked by the state." The realities of service delivery driven NGO sector may be ascribed to these linkages as well as the pressing demands of a population that the government is unable to fulfil.

Conclusion

NGOs have evolved from organic groupings of people built on the ideals of helping others and themselves to a sector still tasked with the purpose of aiding people, but influenced by the shifting ideals and expectations of the international development and AID arena. The growing challenges and expectations from NGOs is matched in intensity only by the increase of competition for resources, forcing them seek funding from various sources like government, aid agencies and more frequently, corporates.

The challenges of NGOs are universal but their contexts influence not only the sectors in which they operate but their possibilities for funding, freedom of movement, association and expression. Sympathetic governments can cultivate environments conducive to operations and foster successful and progressive NGOs. Similarly the sectors can be stifled or have little room to operate where governments either interfere with or prevent NGO operations.

The apartheid government curtailed the activities of NGOs to a large extent by not providing financial and other support to organisations associated with the majority of the population based on race while NGOs operating covertly received funding and external support in their efforts to a) destabilize the government as well as b) assist and aid those negatively affected by the apartheid governments policies around NGOs and funding. Dissatisfaction with the form of government did however produce a civil society able to organise and mobilise people and funding despite the repressive measures by the state. The change to democracy saw the introduction of legislation promoting the sector which saw an increase in the number of organisations active. The sector was however despite a growing number of organisations, considered weaker based on the amount of staff seconded to government positions and the perceived inexperience of the newer NGOs. Faced with a shift in priorities and an uncensored view of the impact of the apartheid governments actions which left a great part of the citizenship deprived of basic services and human rights, the sector had its work cut out.

CHAPTER 4: Corporate Social Responsibility and Corporate Social Investment

Having discussed the evolution of NGOs and why it is that they occupy such a huge space in the development arena and consequently huge chunks of academic literature in both management and social sciences, we will now look at the concept of CSR following the same approach: first a broader, global look followed by examination of the South African context, with an exploration of the terminology unique to South Africa. This is done in order to understand the current CSI landscape in South Africa

Definition

The literature surrounding the practice of Corporate Social Responsibility (CSR) is vast and varied with descriptions ranging from doing good, corporate citizenship, sustainability, ethical business practice to community upliftment. Carroll and Buchholtz observe that from the fifties to now CSR has evolved from a "general awareness of social and moral concerns to a period in which specific issues such as corporate governance, product safety, honesty in advertising, employee rights, affirmative action, environmental sustainability, ethical behaviour and global CSR have taken centre stage" (2011,p.33). Definitions of CSR include : "the formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labour and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts" (Visser et al., 2007, p. 32) or more briefly: "the overall contribution of business to sustainable development" (United Nations, 2007), and "treating the stakeholders of the firm ethically or in a responsible manner"(Hopkins, 2007 p. 15).

The inability to settle on a definition is ascribed to three key reasons by Jeremy Moon (2007): it is *appraisive* since companies value the positive image it creates (highly valued), *internally complex* (the returns are difficult to measure), and has relatively *open rules* of application (there are different rules for companies in different countries, sectors and even level of earnings).

Elements of CSR

For the purposes of this study, Carrols pyramid (1991) of CSR will be used to illustrate the different aspects of CSR



Carroll, 1991,p.42

The model depicted here which is applicable in the North American and European contexts, places economic responsibilities of profitability as the foundation of the corporations' social responsibility, aligned with the generally accepted view that the business of business is to be profitable, so providing jobs and incomes. This is followed by its adherence to the legal frameworks in which it operates. The need to behave in an ethical manner is third in the scope of corporate social responsibilities. In the efforts to be a business that promotes the concept of CSR, these two aspects should ideally be exercised beyond the minimum requirements of law, regulation and policy. The last rung refers to the businesses philanthropic responsibilities which include the giving of resources (money or otherwise) to social causes. These are the more charitable practices of a business. Though often a means of communicating a company's inclination towards CSR and despite "philanthropy being highly desired

and prized it is actually less important than the other three categories of social responsibility" (Carroll, 1991, p. 42)

History and Practise

Though popularised by the writings of Carroll, the practise of CSR can be traced back to Bowen who in 1953 introduced the notion of "social responsibility" in his book *Social Responsibilities of the Businessman,* positing that the responsibilities of business extended beyond profit making and that business had to make decisions informed by more than the profit motive. Visser describes the focus of environmental movements steering the direction of CSR with businesses being brought under the spotlight for the impacts of their operations on the environment. Carroll's four part description of CSR in the seventies (as depicted in the pyramid above) introduced a widely accepted definition of CSR followed by the introduction of codes and policies such as the Sullivan codes as a guideline to implementing CSR (Visser, 2010) .The eighties saw the introduction of health and safety codes like Responsible Care and the triple bottom line (TBL) reporting standards introduced by Elkington. CSR has since been the subject of many environmental and social attempts to formalise "new way of doing business" but the practise and contributions remain largely voluntary, which some deem as ineffective because "voluntary codes rely entirely on business to uphold them, making them effectively police, judge and jury." (Doane, 2005, p. 220)

This is however a one-sided view considering that the practise developed in response to pressures from various sectors of society to engage in more responsible businesses practices where scrutiny has all but abated. Despite self-regulation, which Pfeffer and Salancik (2003) do describe as a means of escaping harsher restrictions, the efforts by various NGOs to expose corporate malpractice still serve as means to check the corporates and influence the way in which corporates carry out the practise.

The harshest criticisms levelled at CSR have perhaps come from those in the development arena. Friars argument (Broomhill, 2007) that "a focus on CSR may divert attention from broader political, economic and social solutions for

developmental problems" is echoed by similar arguments in the participation literature which criticises the emphasis on small project based interventions (Cooke and Kathari, 2009). It should also be noted that the literature, both scholarly and otherwise is littered with disdain for large corporations and their attempts to use environmental CSR activities to mask or dilute the real damage they have inflicted in their profit seeking activities otherwise known as 'greenwashing'.

There are however more positive examples of corporate social responsibility like the, Community Fair Trade initiative of the Body Shop which is a health and beauty chain specialising in products containing natural ingredients. The chain provides the details of ingredients sourced from communities which benefit from internationally recognised standards of good labour practises, fair pricing on products and where needed training and capacity development that provide equal opportunities for men and women in sustainable farming (Body Shop, 2011). In addition to these supply chain initiatives for responsible sourcing which is part of the company's efforts 'to do no harm" the philanthropic arm of the Body Shop is administered through the Body Shop Foundation which supports animal rights, human rights as well as environmental protection through donations disbursed to various NGO's or community based projects. These are funded by consumers specific through the purchases of specific products of which the proceeds are earmarked for donations.

Initiatives like these have prompted authors like Hopkins (2006) to make bold claims that business may well be the world's answer to underdevelopment and poverty. He asserts that the economic strength, global reach and influence that corporations possess place them in a position that has the potential to affect change in the development arena where government and agencies such as the United Nations have failed.

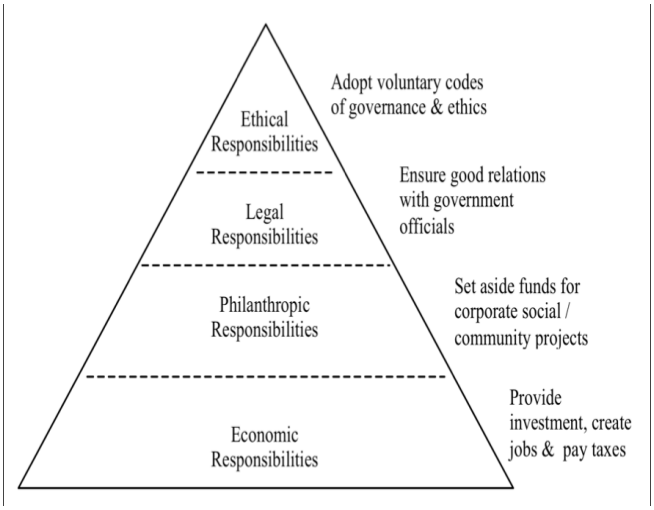
CSR in developing countries

Having adopted Carrolls pyramid as a frame of reference to explain the concept of CSR, it will now be used to explain the CSR in developing countries.

Visser's (2006) article is a useful analysis of Corporate Social Responsibility in the African context, though the word African could be understood to represent a broader

group of “developing countries”. It unpacks the four levels of Carrolls pyramid and concludes that in Africa the top three tiers require re-arranging in terms of the priorities which it currently occupies in African business practices. He maintains that corporate profitability is still the core level on which all others rest, but contrary to the American and European context where legal and ethical responsibilities take precedence over corporate giving, philanthropy is the second most important part of the pyramid when looking at developing countries.

Visser proposes a version of the pyramid more suited to the developing country context



Source Visser 2005, p.3

He identifies three main reasons for the prioritisation of philanthropy namely

1. The high level of socio-economic needs of African societies leads to corporate philanthropy being almost an expected norm-‘the right thing to do’
2. The huge of amounts of Aid flowing into Africa has led to an “ingrained culture of philanthropy’ (ibid)
3. The relative immaturity of CSR in Africa has led to some countries equating CSR with philanthropy, “rather than the more embedded approaches now common in developed countries

(Visser, 2005, p.4)

Meridian Group's report titled CSR in Africa reinforces the position that "the local drivers for corporate citizenship in Africa are different from those typical of CSR in the North." The report posits that "In the North, a 'do no harm' philosophy has often typified good citizenship; in Africa, there are more fundamental development challenges, including poverty, inequality between rich and poor, lack of healthcare and education opportunities, and widespread HIV/AIDS" (Meridian, 2006,p. 2) The veracity and magnitude of these challenges lead to CSR practises often "filling in where government falls short", addressing issues which in developed countries would be viewed as the responsibility of government (Dartey-Baah and Amponsah-Tawiah, 2011). Corporates and NGOs are involved with the delivery of housing solutions, provision of health services and educational facilities and even "refuse removal" (Abie Kgotle, EVP human capital Lonmin)

The South African Context-CSI Pre 1994

Corporate Social Investment (CSI) is a term used almost exclusively in South Africa but represents the practise of CSR and the terms will be used interchangeably throughout. "As a broad concept it was introduced in 1972, when Meyer Feldberg, a Professor of Business administration, at his inaugural lecture called on local business leaders to support the communities that surrounded their operations and from where they drew the majority of their workforce." (Sangonet, 2012) This corresponds with the global utterings of social responsibility and corporate citizenship emerging in this time. This call was made during a time in South African history when the negative effects of the oppression and uneven distribution of resources of apartheid on the black population was increasingly evident. "Increasing pressure was inevitably applied to business and its stakeholders to participate in the struggle against apartheid and its dehumanizing effects" (Le Bruyns, 2009, p. 225).

One of the most notable corporate responses to these challenges was the establishment of the Urban Foundation as a Section 21 company in 1976. The organisation which was funded by businesses, primarily by Anglo American, engaged in over 135 projects in their first year where 'initial emphasis fell on raising

the socio-economic circumstances of the black population across a wide spectrum of areas (housing, health, education, welfare, community development and so on)" (Smit, 1999). Corporate engagement in philanthropic activities continued on a voluntary basis under the apartheid government with international standards and trends spilling onto South African shores bringing environmental concerns into the spotlight. Issues like human rights abuses, unfair labour practises and community displacement were hardly addressed as engaging these issues would be a direct attack on the policies of the apartheid government.

Formalising the practise

In 2003, the democratically elected government under the leadership of the ANC, introduced the BBBEE Act accompanied by the Codes of Good Practise as a strategy to address the inequalities of the legacy of Apartheid in an effort increase the participation of black people in the economy. Companies wishing to do business with the South African government would be awarded points according to a scorecard which encouraged the employment of black persons, procurement of their services as well as for CSI and social development. Trialogue reports that 73% percent of companies surveyed for the year 2010/2011 scored the maximum 5 points on the BBBEE scorecard with the total sample averaging 4.5. This is an encouraging result indicating compliance despite still being able to achieve BBBEE recognition on the basis of fulfilling other criteria (Rockey, 2011, p. 37).

The publishing of the King Code of governance which called for CSI involvement and social reporting and the recommendation by the Johannesburg Stock exchange that companies wanting to list comply is described by "Sangonet" as a turning point for CSI in South Africa. (Sangonet, 2012) The "comply or explain" and "apply or explain" measures have been seen as a step towards global standards of reporting and a placing of pressure on businesses that have encouraged CSR practices among businesses wanting to display a culture of good corporate citizenship or governance.

These items of legislation (to be discussed in greater detail) also gave birth to an industry of consultancy in the spheres of CSI and BBBEE. Not only do companies

now offer advisory roles on these matters but services range from selling the art of social report writing, certification, verification and compliance training to complete portfolio management of projects where the entire CSI activity is outsourced to a different company.

Investment versus Responsibility

Though it is sometimes used interchangeably with the term Corporate Social Responsibility, we will try to explore the term Corporate Social Investment and its inclusion of the word investment in favour of responsibility and try to establish whether this bares any significance.

The inclusion of the word investment in the definition as is the case in the South African context adds to CSR a layer of complexity since by definition, investment refers to the input of resources with the expectation of gain or “an act of devoting time, effort, or energy to a particular undertaking with the expectation of a worthwhile result”. (Oxford, 2011).

The Grantmakers Association of South Africa emphasizes the importance of the term investment in terms of the business stating that “corporate assets are involved and that management should seek to provide– and shareowners are entitled to expect – a return on such investment. The report produced by the association expands on this expectation: “... a connection must be drawn between the investment made and the return, in terms of a contribution to the realisation of corporate goals and strategy. This means that investment strategies must take into consideration the return expected, in terms of the value created....” (Grant Makers Association, date unknown). The use of the term in this statement may be seen as rationalising business contribution to social development.

Similarly, Elkington described the thought process around the coining of the phrase triple bottom line (TBL): “the language would have to resonate with business brains” because it was meant to get the corporate sector attuned to the sustainability approach, a more responsible way of doing business. Both assertions allude to reluctance on the side of business to see the value in CSI and what Fox describes as the “fanatical quest to uncover the business case for CSR” (2004. p. 31).

This scepticism in a business case for CSI corresponds with the famous essay written by Friedman in 1970 in which he boldly and unapologetically asserts that “there is one and only one social responsibility of business–to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."(Friedman, 1970,p.2) Any efforts to engage in social and other responsibilities were regarded as a drain on the business and an imposition of charitable spending on stockholders which negatively impacted on the businesses profit-ability. During the seventies when Friedman wrote this, conversations about CSR were starting to gain increasing popularity. Where today companies may consider investing in a community’s education as part of their CSR programme, with the focus on possible future employees, he shamelessly described this as acting in the businesses best interest, but rejects any claim that this choice is a responsibility of the business. His well-known essay dismisses any value that it could add to the business and he labelled socially responsible businesses as “a fundamentally subversive doctrine”.

Fig (2005,p. 601) ascribes the preference for the term investment in South Africa to the fact that it does not ask “questions about legacy, memory, history, justice, or moral and ethical responsibilities” referring to the position that business played an instrumental role in the architecture of Apartheid and benefitted from cheap labour and other advantages that the oppression of black people afforded the corporate. A position confirmed by the Truth and Reconciliation hearings that found : ‘[m]ost businesses benefited from operating in a racially structured context’.” (TRC in Le Bruyns, 2009, p. 225).

During (separate) exploratory interviews with a CSI practitioner as well as the head of a CSI department at one of the leading mining houses in South Africa, the author asked to the interviewees to comment on the choice of investment. Both interviewees expressed that the term meant an investment into the future and wellbeing of beneficiaries. “yes we do benefit in a variety of ways, but we see CSI as an investment into the people and communities we support from which we believe they will benefit.” (Abie Kgotle, interview)

Despite the negative connotations sometimes attached to the term investment, it is useful to consider that the beneficiaries of projects may benefit from this investment whether as the intended recipients of the benefits or not. The term is also useful in understanding the exchange of resources that occurs during the various transactions which take place under the umbrella of CSI.

Having discussed the uniqueness of the South African terminology, it can be concluded that the inclusion of the word investment, may not be just a case of semantics, but rather a term embedded with the task of making the practise a comfortable space for businesses to engage in development. The term also alludes to a future and if adopted in accordance with the business understanding of investment and a Return on Investment (ROI) which assumes that careful thought, planning, research and calculations accompany the investment, perhaps an element of sustainability. CSI has the potential to enhance the concept of giving or charity which on its own does already possess the possibility to affect positive change. The key to the approach is ensuring that the returns for one stakeholder are not based on the exploitation or harm of another.

Conclusion

Despite strong opposition from many businesses to social responsibility as well as accusations of CSR being “greenwashing” , that is deflecting from real damage that corporates cause in the pursuit of profits by punting and advertising environmentally friendly campaigns. CSR has grown as a practise with various versions of the practise unfolding in response to context specific regulations, expectations and demands. Companies engage in CSR on a largely voluntary basis with the bigger companies adopting codes of conduct, producing social and environment reports and implementing various strategies of sustainability. Interventions range from philanthropic donations, to “do no harm” processes being adopted in businesses and in other instances, sourcing of sustainable products or efforts to improve education and health services by building schools and hospitals.

The practise in developing countries has developed to a great extent under the same principles of businesses having a social responsibility to society, but has evolved in

response to the unique social and economic challenges of less developed countries leading to a greater focus on philanthropy. This difference in approach is further influenced by the fact that "…, legislation and enforcement are poor, civil society scrutiny is largely absent, and consumer activism for responsibly-produced products is relatively weak". (Klins et al, 2010,p2) The contention by Visser (2005) that the culture of Aid, which saw large amounts of money being poured into community projects in Africa is widely ingrained, speaks to the notion that citizens have become accustomed to acts of philanthropy as ways of assisting communities and making a difference. This has now become a means of measuring the good citizenship of companies operating on the continent. This strong influence by the international aid industry has resulted in CSR emphasizing philanthropic gestures based on urgent needs of communities and in the process, shifting the priorities of programs and companies. Though it may sound condescending of African citizens, the realities of poor enforcement and institutions perpetuates this measurement standard and is merely a reflection of the contextual differences between Africa and the American and European corporate citizenship ideas. The practise of CSI in South Africa developed to a great extent as a response to the developmental challenges caused by the system of apartheid. The oppression and poor services delivered to the greater part of the population, ie blacks, coloureds Indians and other minority groups provided a platform for mining and other companies seen to have profited from this, to make a difference.

The subsequent introduction of legislation and policies perpetuated implementation of racially informed CSI.

The preference for the terminology of investment positions the developmental efforts of many corporates from making a difference which is very positive, laudable and even quantifiable versus making amends which under the harsh scrutiny of society first of all is an admission of guilt and a task which might never be doable. This does not however discount the benefits and potential of the generous South African corporate sector.

CHAPTER 5: The role of NGO's in CSI

Having looked at the South African context of both CSI and NGOs, we will now look at the different roles of NGOs in CSR. We will also look at the advantages of NGOs as partners and reasons for the alliances birthed by CSR with and the notion of the intangible economy to explore not only the impact of NGOs on the CSI space, but also the effects of the CSI industry on NGOs.

NGOs wear different hats

Companies have different ways in which they embark on their CSI initiatives. Mining companies for example are driven by their by the Mining Charter and the requirements to invest in communities in and around the area of operations as well as the labour sending areas. These projects are driven as is the case in Lonmin, by stakeholder engagement groups and may or may not include NGOs, often with direct investment into schools, clinics or other aspects of development and service delivery. This is based on the fact that the operations have a direct impact on the surrounding communities with which there is a close relationship (albeit confrontational at times). Many other companies are distanced from communities and find the intermediary role that NGOs can play instrumental in implementing and designing CSI projects. In South Africa, there is a strong trend towards partnering with NGOs, Trialogue's annual publication, The CSI Handbook show that 57% of the CSI spend was done through NGOs at a broad company level, with a further smaller amount (totalling 2.5 billion rand) being allocated straight to NPOs at a lower level, ie is branch, departmental or staff contribution. The concept employed by Tshikululu (which smaller firms are copying) requires NGOs to submit projects that require funding and match them up with donors willing to fund these. Most of the projects are implemented this way with few collaborations happening from the point of conception and design. They rely on "the knowledge, expertise and proximity to causes" that NGOs have developed in their various fields. (Interview, Maria Kurian, Tshikululu).

The role of NGOs in CSI is an important one since in many instances they are the ones driving, implementing as well as monitoring the practise. Lewis and Kanji (2009) split the role of NGOs into three namely, implementer, catalyst and partner.

The first which labelled as implementer concerns itself with the procuring of resources to provide goods and services to those in need. This often overlaps with the role of partners. Companies and NGO's have embarked on an increasing number of alliances "in an attempt to gain economic, social, cultural, and political advantages." (Schumate and o'Connor, 2010, p. 208). This is evidenced by a growing body of literature ranging from the moral legitimacy of these partnerships, power dynamics in these alliances reasons for partnership to reasons for success and failure of such partnerships among other cross-sector studies (Lister, 2000,Baur and Palazzo, 2011, Den hond et al, 2012, Jamali and Keshishan, 2009).

The second role, as partner is one which is commonly encountered in the CSR space. For many companies, the lack of expertise in the development space, has led to the partnership between business and NGOs. Cross sector alliances is defined as: "the linking or sharing of information, resources, activities, and capabilities by organizations in two or more sectors to achieve jointly an outcome that could not be achieved by organizations in one sector separately.' (Bryson et al, 2006, p. 44).

The final role as that of catalyst has been widely captured in the literature under various headings such as the role of NGO's in democracy. This is where NGOs adopt a more watchdog role or the role of advocacy with NGOs. The role may involve driving change in policies and practices of governments and in the case of CSI, companies and governments. Their knowledge and expertise and mobilisation abilities are often employed in an effort to affect change, since they themselves cannot actually make the changes. It must be noted that these roles may sometimes overlap. CSI as a the practise is often accused of "greenwashing, or the projection of a caring image without significant change to socially or environmentally harmful business practices" (Hamman and Kapelus, 2004, p. 90) Here, as watchdogs, NGOs act as the monitors of the sincerity and impact of CSR strategies and will advocate for change or penalties impacting on the "license to operate of many companies. When looking a Carroll's pyramid, the middle two rungs of the pyramid, ie ethics and legal responsibilities are the aspects where NGOs may adopt this role. In South Africa, funding towards advocacy occupies the lowest priority on company CSI spending. This is a fact which many NGOs lament and is indicated by the recent closure of Institute of Democracy in Africa I (Idasa) a well-known NGO which played

an instrumental role in the democracy journey of South Africa. Despite the significant contributions received in the past by the likes of the World Bank and others, Mr Paul Graham said that “"it has not proved possible to garner the financial support necessary to continue its work in a sustainable manner or pay its debts" (Business day, 27 March 2013). Trialogue’s research indicates that close to fifty percent of companies will not finance advocacy activities and 60% would not spend on developmental research (Rockey, 2013). . The same study showed that NGOs actually spent less than five percent of their budgets on advocacy. This is in keeping with global trends where advocacy has seen a decline in funding. A study in the US found that advocacy activity had been curtailed because of a channelling of resources to fundraising and grant writing as well as growing pressure by funders and the public for an emphasis on programmatic interventions (Silverman and Patterson, 2011). Advocacy is seen as less marketable to shareholders than tangible projects.

Reasons for Partnerships

Websites such as ngocrossroad.com, givegain.com and greatergoodsa.co.za are platforms created for NGOs to showcase themselves in an attempt to attract funding. Businesses (and individuals) are able to find NGO they wish to support or partner with by accessing these profiles and comparing it with their CSR objectives, especially if the business does not have the capacity to implement projects. This move can viewed in two ways: outsourcing to experts because of a need to ensure spending is done expertly and efficiently or less positively, an arms-length approach where you spend only the money and are able to tick the necessary box for social investment and do not have to get involved in the actual projects. Maria Kurian assures me for most firms it’s the former: “they are eager to embark on projects but lack the time, know-how and human resources to take these projects on. We on the other hand employ a pool of experts, conduct on-going research and vet NGOs that have proven they can deliver on what they promise”

A leading consultancy includes some of the following as reasons for partnering with NGOs: reputation management, risk management, employee satisfaction, investor relations and access to capital, competitiveness and market positioning. The list is evidence of benefits that NGOs offer to businesses, not only in CSI, but also in the

core activities of business operations when looking at reasons like operation efficiency which speaks to an aspect of the tangible economy. Items like reputation management, employee satisfaction and market positioning however rely on the intangible currency of trade which NGOs possess. These are advantages that NGOs can use to encourage not only donations but meaningful partnerships, changing the “cap in hand” image of NGOs to donors.

Apart from the obvious financial support that NGOs gain in these partnerships, Some of the other reasons they would engage in these partnerships as described in corporate watch.org (accessed, 1 December 2014) include:

> **Creating change** - NGOs engage with companies because they believe they can change the company's behaviour to meet their social change or environmental objectives.
> **Shifting towards regulation** – For some NGOs the objective of their engagement with companies is to make progress towards the regulation of companies in the wider public good.
> **Barricades to boardrooms** - If after battling with a company over their negative practices, the company caves in and agrees to make changes, a common response is for NGOs to enter into dialogue.
> **Frustration** – Equally, engagement can be seen as a quick fix. The idea of campaigning for structural change, or targeting every company on every issue is daunting. NGOs need PR successes to retain supporters and funders. CSR, with its promise of motivating companies to change themselves, appears to offer a high ratio of campaign success to input of resources.
> **Credibility** - Through engagement, and being seen as 'rational', realistic and co-operative, NGOs gain profile and influence amongst government and industry.

Offering benefits to both corporates and NGOs, these partnerships have been described as “one of the most exciting and challenging ways that organisations have been implementing CSR in recent years’. They are however often characterised by “inherent messiness, hidden dynamics and power relations” which proponents of CSI tend to avoid. (Onan, 2007, p. 3) Popular analysis portrays the donor-NGO

relationship as one in which the donor has the upper hand and one in which the NGO has to pander to the demands of the donor. This has been documented in various studies with findings indicating that these alliances may result in mission creep, mission dilution, isomorphism or steer NGOs in the direction of market orientation (Macedo and Pinho, 2004). Hailey (2000) warns against the risk of NGOs losing their comparative advantage which is rooted in their accountability to beneficiaries as a result of donor influence which can alter their identities.

Areas of Concern

Though a common goal of sharing of cross-sectoral experiences, expertise and resource is expected, and intuitively sounds good, the impact or effect of these exchanges is not always positive and has attracted some criticism. One of the main concerns surrounding NGO-business partnerships is the dependence of NGOs on businesses for funding. The duration of partnerships is short lived and it is argued that this makes projects unsustainable. Apart from unsustainability, questions of accountability and professionalization have made their way into the CSI debate.

Accountability

One of the biggest concerns that have been raised is the shift in accountability of NGOs from beneficiaries to donors. Accountability refers to “the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions” (Edwards & Hulme, 1996, p. 967). It is often contended that cross-sector partnerships are dominated or dictated by the business in the belief that they hold the most critical resource: finance. The argument is that this dependency fosters “asymmetric accountability” (Lister, 2000). If this resource is more critical than the information and intangible resources that NGOs bring to the table, the source holding the funds may hold more power over the NGOs and affect the accountability of NGO to their beneficiaries. (Pfeffer and Salancik, 2003) This becomes particularly dangerous if the outcomes or benefits that the corporate seeks is not dependent or tied to beneficiary based results. The difficulty in measuring the accountability of NGOs to beneficiaries and the relative ease of attaching numerical values on work for the purpose of donor requirements make this occurrence all the

more difficult to monitor. In cases of NGOs representing causes like the environment or animals or advocacy for human rights, the beneficiaries form too wide a scope to monitor accountability or assess beneficiary satisfaction.

This is not always the case though. In different situations, especially where companies have faced public relations crisis and suffered a knock in investor confidence, the contributions of NGOs have proved invaluable in reputation management. The influence of the media and the spotlight on the work of NGOs is also critical in high profile cases where the plight of beneficiaries is brought to the fore.

Professionalisation

A second issue arising from partnership is the notion of professionalisation. Mentioned fleetingly by some as a by-product of the partnership and focused upon by others (Buth, 2011), it's an aspect that warrants some discussion. What does professionalisation mean and why is it a problem? Professionalisation describes the process whereby problems are increasingly dealt with by persons with relevant subject-specific knowledge, experience and training, rather than by staff members solely recruited for their previous political activism or engagement in the organisation.

One of the possible outcomes of professionalisation that has attracted criticism is the 'isomorphism" of the organisation. Isomorphism as introduced by DiMaggio and Powell or more specifically normative isomorphism is the change which results from the training, mentoring and capacity building that these relationships entail. This leads to the NGOs being similar in organisational structure and operations to the businesses they deal with. This is not necessarily a bad thing and is often introduced in an effort to make NGOs more efficient and able to comply with donor demands which includes financial reports and budgeting. The need for accountability and transparency has especially been highlighted as a threat to the NGO sector, especially in light of scandals of misappropriation of funds in cases like the incident involving the Red Cross which eroded trust in the sector "after the September 11 attacks, when it was revealed that a large portion of the hundreds of millions of dollars donated to the organization went not to survivors or family

members of those killed, but to other Red Cross operations, in what was described by chapters across the country as a "bait-and-switch" operation. “ Joe Allen, counterpunch (2005).

The accounting for monies in the sector which has largely been based on the values of integrity and trust has become increasingly important as NGO budgets and involvement in development grows.

The argument against professionalization can be looked at relative to the reasons for NGO popularity in development, namely, “to be more cost-effective in service delivery, to have a greater ability to target poor and vulnerable sections of the population, to demonstrate a capacity to develop community-based institutions and to be better able to promote the popular participation needed for sustainability of benefits” (Fowler, 2008, p.56). The increased professionalization often results in more qualified staff (commanding higher salaries) being hired versus those with “passion, drive and interest” as commonly associated with NGOs. The flocking of professionals and graduates into NGO positions is testimony to this growing preference. This begs the question then of the authenticity of the NGO sector which is characterised or gains its legitimacy from the “assumed” values and ideals on which it is built. The flexibility, innovation and ease of decision making with NGOs operate, also touted as one of their strengths again comes into question when the organisation is expected to behave like the business. What then are the comparative advantages of NGOs in the development arena if they are becoming more and more like businesses?

The other side of the coin is the benefits that professionalization lends to NGOs by acting as a buffer to the dependency that the demands of donors can result in

Ebrahim (2003,p. 99)

> ‘…they act as spokespersons in defence of their organisations… [and serve] to smooth communication between [NGOs] and funders. These professionals share with funders a common development language – terms such as participation, sustainability, cost-benefit analysis, impacts, indicators, and so on. Thus, the professionals are able to communicate

> their activities in terms acceptable to funders. By justifying their work in terms of dominant currency, the NGOs are able to deter probes into their work'

The Intangible Economy

Seitanidi's differentiation between the tangible and the intangible economy is a useful framework for understanding the concept of investment in the CSI. She states that:

> "Investors traditionally prioritised tangible outcomes (money, land, machinery) in order to protect their financial assets. However, the intangible economy (trust, human resources, information, reputation) that co-exists draws attention to new expectations that request the continuous, active and within the public sphere involvement of investors in order to protect their assets by prioritising intangible resources" (2007, p.1).

In considering investment, reporting and practise has been focused on tangible assets, measurable outcomes of investment often expressed as Return on Investment (ROI). This was the culture and purpose of business. A change in this focus has meant acknowledging the value of the intangible economy. It has meant that business has had to buy into the idea that the intangible economy is a means of support to the traditional tangible economy. It acknowledges that investment in social and environmental issues may benefit the profit objective of the business.

In the global context of sustainability which has been credited as one of the key drivers of CSR, a focus on intangible assets has been brought to the fore albeit in a exploitative manner. Rather than a management perspective, Hanlon and Flemming (2009) propose that CSR be considered a socio-economic phenomenon. In a rather scathing article, the authors portray the practise of CSR as not only a propaganda exercise for legitimacy but a predatory neoliberal tool to tap into new markets. In this paper Hanlon and Flemming acknowledge that business does recognise the value of the intangible economy, but only in an attempt to exploit it: "corporations mystify business practices by manipulating bio-diversity, fair trade, and other forms of traditionally non-corporate resources, but these resources themselves must be

prospected, objectified and put to work." It may be the that corporates capitalise on the knowledge that NGOs have in previously unchartered waters, a benefit Rondinelli and London (2003) also mention, though not in such an exploitative context.

The expectation of business to engage in the practise on an altruistic level suggests a naiveté which is counterproductive in optimising the practise. The accrual of benefits or return on investment (ROI) is measured by the accountability of the stakeholders, business to its shareholders and in the case of this study, NGOs to its beneficiaries. Where business drives its profit motive-stakeholders can expect to benefit from the investment and where NGO's address their mission objectives in the transaction-beneficiaries can expect to gain from the investment. It is the authors opinion that if business injects the same vigour and energy into the pursuit of returns on social investment, provided that it also yields positive results for the projects invested in, their expectation of a ROI may not be a fundamentally bad thing.

Conclusion

The above chapter has highlighted that NGOs play different roles at different times in the relationships which they hold. The roles include that of implementer, partner as well as catalyst. These relationships impact the operation of NGOs bringing to the fore concerns around accountability and professionalisation. The dependence of NGOs on donor funding raises the concern on the shifting of accountability from beneficiaries to prioritising the needs of donors. Though resources may be diverted and spent on satisfying donor requirements-the benefits of the skills acquired and required NGO should not be undervalued. Equally the benefits if professionalisation of the industry contributes to an improvement of the quality of certain aspects of NGO operation despite the increase in salaries of staff that accompanies this shift. It should also not be assumed that professionalisation cannot be accompanied by passion, drive and values that are associated with NGO staff.

The platform of CSI, where businesses and NGOs often find themselves partnering, allows for an exchange of resources in order to build the two economies. One role player may be slightly more versed and better endowed in the tangible economy,

and one may be slightly more visible and inherently associated with the other, but there's no reason why an exchange of these resources should not be beneficial to the parties involved in the transactions. Understanding that returns are expected on the investment made by business, and giving equal weight to the expectations of NGOs on the understanding that they too contribute to the practise in whichever tangible or intangible manner, lends credence to the inclusion of the word investment in the terminology adopted in South Africa.

Given the complementary resources of these two types of organizations, forming cross-sector collaborations that more effectively use the knowledge and capabilities of both can create new opportunities to achieve both greater corporate profitability and stronger environmental protection' (Rondinelli and London, 2003, p. 61).

The fact that in South Africa the "license to operate" for many businesses are dependent on social investment makes for a good case for business to invest. The relative newness of the practise also presents an opportunity for NGOs as implementers or partners based on the lack of experience on the side of business in the field of development. This knowledge and expertise provides for good currency with which the NGOs can transact**.**

CHAPTER 6: Locating CSI in South Africa

Resource Dependency Theory states that “not only are organisations constrained by the economic, social, political and legal environments, but that in fact law, social norms, values, and political outcomes reflect in part, actions taken by organisations in their interest of survival, growth and enhancement.” (Pfeffer and Salancik, 2003, p. 192). The following chapter examines the different policies and legislation that informs the operation of NGOs in South Africa post 1994.

NPO Act 71 of 1997

Governments are constantly under pressure to deliver on social as well as economic development. These pressures are often articulated by civil society organisations such as NGOs. The role of NGOs in South African politics and the abolishing of the Apartheid regime placed them in a strategic position of policy formation since, “By 1992, there were very few progressive NGOs which were not in one way or another participating in networks or processes which were developing 'policy' for the ANC, or training it’s cadres in the intricacies and protocol of formal politics (Pieterse,1997, p159). This relationship was said to have influenced the creation of an enabling environment for NGOs based on them shedding their “oppositional” mode in favour of a more developmental one. Chapter 2, Section 3 of the NPO Act 71 of 1997, describes the responsibility of the state to NGOs: “Within the limits prescribed by law, every organ of state must determine and co-ordinate the implementation of its policies and measures in a manner designed to promote, support and enhance the capacity of non-profit organisations to perform their functions.”
The NPO Act of 1997 was signed into law on the 3 December 1997 with the purpose of:

(a) creating an environment in which non-profit organisations can flourish;
(b) establishing an administrative and regulatory framework within which Non-profit organisations can conduct their affairs;
(c) encouraging non-profit organisations to maintain adequate standards of governance, transparency and accountability and to improve those standards
(d) creating an environment within which the public may have access to

information concerning registered non-profit organisations;

(e) promoting a spirit of co-operation and shared responsibility within government,
donors and amongst other interested persons in their dealings with non-profit organisations.

The Act aims to encourage NPO's to register voluntarily on the Register of Non-profit organisations in South Africa. This registration is administered by the NPO directorate, a section of the Department of Social Development.

The registration of non-profits is aimed at enhancing the credibility as well as enhancing the transparency and accountability of the NPO's based on the obligations that fall on the NPO to remain registered. (DSD, 2014)

The NPO register has been widely accepted with 118 174 organisations registered and 141 applications pending as at 02 February 2014 (DSD, 2014). The requirement by most companies engaged in CSI to be registered on the data base to qualify for funding is an acknowledgment of the importance that the formal registration of NGOs plays in CSI. Tshikululu, one of the biggest social investment companies in South Africa "believes that an organisation's very first step towards good governance is its successful registration as a non-profit organisation (NPO) AND as a public benefit organisation (PBO)" and so advocates for organisations to first get this done before applying for funding (Tshikululu, 2011) .

The implementation of the Act is however a bone of contention for many NGOs with two of the big NGOs interviewed expressing concern that they had been de-registered despite timeous submission of documents. *Jeremy* admitted to the late submission of financial statements but was upset that he was notified by a donor of his de-registration. The importance of registration is illustrated by the fact that companies demand the registration of NGO's to be considered for funding and actually follow up on the registration.

Only one of the interviewed NGOs admitted to not being registered, citing a lack of understanding of the process, a dislike of paperwork as well as a lack of time and funding to have statements audited.

Bad communication from the DSD which included loss of documents, no-one answering telephones and failure to inform or notify of possible de-registration was cited by the interviewees as areas of discontent with the NPO register. The one NGO which admitted to not being registered advised that she often appealed for smaller amounts, normally at a departmental or direct level of giving from staff. She advised that she was upfront about not being registered and was legally doing good work and that people could come and see tangible projects if they so wished, albeit on a small scale.

Most of the interviewees felt that being registered conferred legitimacy on their organisations and that a big driver behind registering was in fact the intention to gain access to funding from the National Lottery Distribution Trust Fund [NLDTF]. “It makes you an official somebody/something that people can take seriously”, commented *Candace*.

Broad-Based Black Economic Empowerment (B-BBEE)

Arguably one of the most talked about, written about, debated about policies introduced by government post 1994 is the Broad-Based Black Economic Empowerment (B-BBEE). This policy is an acknowledgement by government that business has part to play in rectifying the inequality of the legacy of apartheid which they were a part of perpetuating. Initially released in 1997 and subsequently amended several times, the policy was intended to be a document that would:

> **“** promote the achievement of the constitutional right to equality, increase broad-based and effective participation of black people in the economy and promote a higher growth rate increased employment and more equitable income distribution; and establish a national policy on broad-based black economic empowerment so as to promote the economic unity of the nation, protect the common market, and
> promote equal opportunity and equal access to government services.” (DTI, 1997)

In South Africa, a large part of doing business especially for new and upcoming businesses is securing business from government. Huge amounts are spent annually on procuring products and services for government ranging from

construction to catering and information technology to international travel arrangements. Some businesses are started with the sole intention and purpose of acquiring these contracts. This has been dubbed “tenderpreneurship” based on the tender processes which govern these contracts and may account for large amounts of business with one case at the competition commission amongst top construction firms amounting to 26 billion rand. The legitimacy of the tendering process is fraught with corruption and malpractice but this is a subject for another paper.

Benefits of complying

Apart from the obvious financial benefits of securing contracts with government, Kairos,(2013) a consulting firm which is one of many that have been established as businesses based service provision relating to the compliance and implementation of BBBEE list the following as advantages to being BBBEE compliant.

- Exposure to a range of new and potential customers that are looking to use B-BBEE certified suppliers.
- Your clients will earn Preferential Procurement points on their B-BBEE Scorecards.
- Market your business as a verified B-BBEE compliant business.
- Position your business to gain access to public sector tenders.
- Applications for government incentive schemes.
- Government licensing eligibility and renewal.

The BBBEE scorecard is divided into five elements. The section most pertinent to CSI/R and NGO’s operating in South Africa is the element of socio-economic development which has remained unaffected and still counts for 5 points on the scorecard. This section calls on business to donate 1% or net profit after tax to social causes. (DTI, 2007) The element of enterprise and supplier development has also seen a large involvement of NGOs as both clients and suppliers of this aspect. Though not specifically mentioning NGOs in the process, NGOs as agents of social and economic development are greatly affected by the scorecard.

Five percent is a small amount considering that complete non-compliance can still place a company as level one contributor. It does however impact larger businesses like in certain sectors like mining, finance, etc. which are subjected to sector specific charters that influence their chances of obtaining licences etc. These charters use the BBBEE as a baseline, but may ascribe heavier weightings to different elements such as CSI as is seen in the mining sector.

The number of elements has been reduced from seven to five, with the two elements of employment equity and preferential procurement being absorbed into management control and enterprise and supplier development respectively.

Table 3

Generic Score Card Rating		CSO Score Card Rating	
Ownership	20	Ownership	Not Applicable
Management control	10	Management control	15
Employment equity	15	Employment equity	15
Skills development	15	Skills development	20
Preferential procurement	20	Preferential procurement	20
Enterprise development	15	Enterprise development	15
Socio economic development	5	Socio economic development	15

Table 3 illustrates the weighting of different elements of BBBEE as per the amendments which were signed into law on 2 October 2013 for both corporates and civil society organisations.

The country's CSI expenditure which exceeded R6 billion in 2011/2012 (Trialogue, 2013) is testament to the fact that South African companies are heeding the call to invest in development for different reasons, be it that the sustainability record and public image is still important or just for the BBBEE points or a genuine vested interest in their primary and secondary stakeholders.

Compliance is not only relevant to corporates but also affects the funding opportunities of NGOs.

During the initial stages of interviewing, one NGO advised that they did not qualify for funding based on their management profile not being BBBEE compliant. Few of the

NGOs advise that this has not affected them and others were compliant by accident rather than design.

Success stories include Project literacy who document failure to secure funding until recently: “Resolving the issue of ownership is definitely a positive shift” said Andrew Miller of Project Literacy, an ABET training provider, “in the past we missed out on winning tenders with local government due to a lack of understanding that a Section 21 company does not have shareholders. We have worked hard over the years at transforming our voluntary leadership and ensuring that our managers are representative of our society. This has reaped rewards for us as we have recently been awarded a Department of Labour ABET tender of R30 million per annum over the next five years – this is our BEE success story”.(Project Literacy, 2013)

Similarly *Chantel* asserts that knowing the lay of the land and advertising compliance is quintessential to the successful building of the brand of the NGO. The organisation’s website has a colourful table describing the board composition which includes a column for race and one for gender. One of the respondents comments that: “you are appealing to them on the grounds of them being compliant, it’s only logical and fair that you should be too”.

The heavier weighting of economic development versus social development has seen an increase in the availability of funding to promote economic development programmes. This presents another opportunity for NGOs to act as service providers.

Beneficiaries

Borne out of the need to address previous social inequalities based on the grounds of race, the BBBEE act is dominated by racial prescriptions

There were proposed amendments to the bill which specified that beneficiaries of CSI expenditure had to be 100% black. Participants in the research, particularly those dealing with children found this aspect of the legislation particularly offensive since the challenges faced by minors were indiscriminate.

"yes all our kids that we have at the home and in our programmes are black, but if a community….like perhaps the one where I stayed had similar needs…and the kids are white….don't expect me not to help them…" *Candice*

"vulnerable kids are vulnerable kids, irrespective of race, colour…" *Ginger*

Nicky, echoed these sentiments as did 6 other interviewees, with the strongest voice of discontent being the NGO's involved with children.

All of interviewees advised that a large part, though not 100% of their beneficiaries were black, but the what if's and possibilities of being declined on the basis of the colour of beneficiaries skin was a grave concern to them. Shelagh Gastrow,of Inyathelo describes this proposal as going "against the spirit of our democracy and the pillars on which our Constitution is built" (sangonet,).

The proposal has subsequently been withdrawn.

The BEE Act which follows as comply or explain method of implementation is matched globally only by India's Companies Bill, 2012. India's lower house of parliament proceeded to pass the Bill in December of 2012 and the bill is expected to become law by the end of 2013. The Act requires companies to spend 2% of their net profit after tax on CSR activities. Accounting firm Ernst and Young estimate that this should affect 2 500 of India's companies and generate approximately $2 billion in CSR revenue.

Where the BBBEE Act in South Africa is relevant to companies wishing to do business with government, the Indian legislation applies to all companies which during the fiscal year show a

(1) a net worth of rupees 500 *crore* (about U.S. $90 million) or more;
(2) a turnover of rupees 1,000 *crore* (about U.S. $180 million) or more;
(3) a net profit of rupees 5 *crore* (about U.S. $900,000) or more.

The BBBEE scorecard contribution to CSI in South Africa as experienced by NGO's seems to have created an enabling environment. When asked about the future interviewees felt that it was a nudge in the right direction. Simon felt that South Africa

is an “example for the rest of the world” as there is framework in place where previously it was just “giving ‘cause they felt bad” or “needed some PR”.

When asked about the direct impact of BBBEE on the amount of funding they received, none of respondents were able to confirm that BBBEE had influenced their funding since some NGO’s has come into existence after implementation and the one which has been in existence over five decades has had new leadership at the helm over this time with no data to show a direct impact on funding.

All but one expressed a positive view of the framework, saying it would “probably be phased in a couple of years, (Abraham), but re-iterated that a heavier weighting might urge the companies to engage more. Trialogue (M&G, 2009) posed a different view, that this legislation cultivated a compliance mindset that capped initiatives. The idea of voluntary contributions leave the expenditure to the imagination whereas the stipulations inadvertently may cap the spend.

King II and III Reports

The King Commission, an initiative of the Institute of Directors in its King II report concretises the call for CSI to be part of a companies reporting strategy. This is in line with world trends such as the global reporting initiatives guidelines on sustainability (Global Reporting Initiative, 2012). The term, triple bottom line (TBL) coined by John Elkington in 1994 is also instrumental in the King Report which makes it a requirement for all listed companies to report on sustainability positing that the role of business is not just an economic one but should be an environmental and societal one too.

Not only does the King report affect the governance of for-profit companies in South Africa, but it has also been written to apply to: ‘all entities regardless of the manner and form of incorporation or establishment and whether in the public, private sectors or non-profit sectors’. (The King Committee, (2009) King Report on Governance for South Africa, Institute of Directors, p. 17) A report by Hendricks and Wyngaard (sangonet, 2013) critique the expectations of including NGOs under the same umbrella of corporates, since many NGOs lack the finance and sophistication to comply. It is argued that the report is written in close association with the

Companies Act but does not refer to the Non-profit Organisations Act, No. 71 of 1997 (the NPO Act) which governs the NGO sector. Though acknowledging that NGOs deal with large amounts of funds and that proper governance structure are needed to combat fraud and corruption in the sector, the authors highlight the following as reasons for the difficult in applying the King Report to NGO's:

- A lack of financial resources
- The availability of proficient board members to ensure compliance with King III.
- The additional financial burden or potential mission drift that may result from having to now also consider matters pertaining to business that do not form part of their main objective
- Many of the recommended practices ignore the fact that CSOs derive income through soliciting funding from a donor. Whether cash-strapped CSOs would be able to mobilise additional resources to implement King III remains to be seen.

Most of the NGOs expressed no opinion towards the code but did emphasize good governance as strengths of their organisations. Three respondents lauded it as "progressive", "world class" and "necessary".

The JSE SRI

The Johannesburg Stock Exchange (JSE) also launched its own Socially Responsible Investment Index (SRI) in May of 2004.The aim of this initiative by the stock exchange is described as an initiative to "offer an aspirational sustainability benchmark, recognising those listed companies incorporating sustainability principles into their everyday business practices and to serve as a tool for investors to assess companies on a broader base (JSE, 2012). This is in keeping with the global trend of promoting social responsibility as an initiative to compliment the core business of making profits. The index incorporates the framework promoted by the UN Principles for Responsible Investment that is based on the belief that "an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole" (unpri, 2014).

This is however supported by little evidence as expressed in the following extract by Haigh and Hazelton in Seitanidi, (2007, p4)

> First, SRI funds in all regions command negligible market share, which discounts the argument for a direct effect on companies. Second, even if SRI funds commanded greater market share, any effects on security prices would be short-lived, given liquid capital markets. Third, there are no guarantees that financial markets will look to SRI funds to signal undisclosed future revenue growth or costs, and accordingly follow investment actions of SRI funds .

Only one NGO expressed any knowledge on the SRI but felt that it had little or no impact as it “goes over the heads of most of the population”.

Sector Policies

Apart from the above, different sectors have to comply with standards sets out in different charters like the Mining Charter or The Financial Services Charter, that prescribe certain aspects of social responsibility of the firm. Each sector therefor has a different set of standards, but when listed and with aspirations of partnering with government, must comply first and foremost with the Black Economic Empowerment Policy (spend 1% on social development directed at HDSA’s), comply with conditions as laid out in the King Report and comply with sector demands which if less than the stipulations above, become deductible from the said one percent.

Sector specific requirements are more closely monitored and more enforceable since often licences to operate are dependent on compliance with these. This is especially so in the mining sector, which apart from being monitored by the state are under the microscope with an active civil society. These often include NGOs which they liaise with and implement projects with or the ones which play more of a watchdog role, eg Benchmarks.

NGOs like Benchmarks which takes on a much stronger watchdog role, were the most clued up on legislation and charters since this is where they are most active, ensuring compliance, and in some instances lobbying for harsher penalties or

stronger laws to enforce company accountability to communities. Benchmarks does not dismiss the value of CSI, but where they are not dependant on funding, push for more ethical and systemic changes than other NGO's. The older more established NGOs especially feel that this is imperative towards changing the perceptions of beneficiaries as well as corporates that can recognise them as competent partners that can be engaged with at a level that overcomes the top-down relationship which characterise the business NGO partnership. The message that came through when asked about policy environment in general was that understanding leads to better opportunities.

Conclusion

The formalising of a sector which has been characterised by flexibility and ad hoc arrangements so as to meet the needs of a community or its members and beneficiaries has been well received. Though cumbersome, the NGOs welcome legislation and have been active in campaigning for their rights in the policy space as is evident in the fact that the changes to the BBBEE beneficiary component has been omitted in the latest BBBEE guidelines. Not only is the amending of the King Codes to be more inclusive of the NGO sector considered a victory for the sector, but the inclusion of NGO sector members on the panel is an indication of the effort to be representative of the sector which the policy is directed at. This exercise is evidence that the external environment is subject to changes affected by the parties that the legislation and policies are directed at as a result of them exerting influence on the process to minimise the impact of the legislative conditions governing the sector.

CHAPTER 7: Managing Dependence

This chapter will address how the interaction with companies in the sphere of CSI has impacted on different NGOs. What is highlighted here is that though change is inevitable, and in fact a key to survival, the preservation of ones values, even though it is an intangible means of currency is critical in the process of growth. This is particularly important in the case of NGOs since their values are considered the lynchpin of their existence. Change to suit others can lead to the downfall of organisations.

Change is inevitable

"If you stand for nothing, you'll fall for anything" (Unknown)

As I walked into the office of the oldest NGO I was about to interview, I noticed a pile of books on the desk of the executive director, Pamela. All the titles refer to fundraising as well as CSR in the form of handbooks and best practise guides. Pamela explains that she occupied an operational role in the organisation that stemmed from her involvement in the community as an educator. When the opportunity arose to occupy the seat of director, she had to "rise to the challenge". She explains that the reputation and long existence of the organisation did not guarantee its continuity. She also explains that though the organisation she works for is a well-known, recognised NGO with a strong base of individual donors, the increase in vulnerable children and growing needs of communities mean that the funding had to grow too. She remarks that the landscape has changed and that the organisation, though its core activity is still feeding as when it was started in 1945, it had grown and expanded. She says that this organisation "cannot be left behind." She jokes that "an old dog should learn new tricks". She remarks that the organisation has responded to the needs of the community. With the rise of the Aids pandemic, the organisation had to respond to the needs of communities and more especially the effects on children, like child headed households. Despite her long-term involvement with the organisation, the passion with which she speaks is evident. She says that love and passion alone will not pay the bills, that was enough when she was still teaching and in a volunteer role. She also says that basic needs

remain the same, but conditions and circumstances around them change and in order to carry on fulfilling these needs, “we too have to change”.

The change she refers to can be seen as progressive change, and even growth within the organisation. She describes her predecessors’ ability to adapt to the changing needs of the community as a strength of the organisation. “We haven’t changed what we believe in but it’s a very uncertain time we are living in. Needs are increasing and resources decreasing. We need to understand what is happening in order to make use of the opportunities out there to continue our mission”.

Pamela’s view of change and progression is one based on preserving the organisations core activity. The inclusion of HIV informed interventions is based not on an availability of funding, but the direct impacts and effects of the pandemic on the beneficiaries of the organisation. Tapping into this source of funding has not been on the basis of just acquiring funding, but on the enhancing the programmes already on offer.

Chantel reflects on her meetings with various NGOs who are trying to morph themselves to fit the funding criteria in a bid to cash in on the funding. “They are all asking…are you starting an incubator….no I don’t have capacity to do so….but really you should try….” The government has made a lot of funding available to this economic development initiative and it is contributes more than social development to the BBBEE rating. She advises that she investigated the possibilities, requirements and along with the board decide that it fell too far out of their core operations and capacity. She laments this “prostitution” of NGOs, who change the direction and mission of the organisation to fit donor profiles but also empathises with their desperation for funding. “Many NGOs fall into this trap of following the money and end up falling flat on their faces because they cannot deliver”.

The success that *Pamela’s* organisation enjoys can be attributed to what Pfeffer and Salancik (2003.p 193) refer to as organisational legitimacy. “Legitimation is the process whereby an organisation justifies to a peer or superordinate system its right to exist.” *Pamela* and *Chantel* have both, on the basis of fulfilling their missions and staying true to their values claimed their right to exist. The experience has provided them with a level of expertise, and by sticking to their core area of interest, they have maintained the legitimacy conferred on them. Pfeffer and Salancik describe efforts

by competition to undermine the legitimacy of organisations as a method of securing "bread-and butter". The example here however illustrates organisations thwarting their own legitimacy in an attempt to secure resources.

Being relatively new terrain for many companies, association with a legitimate NGO is very important if they are to be judged for their involvement in the development space. By undervaluing the commodity of legitimacy in favour of funding opportunities, NGOs reduce further funding opportunities and run the risk of compromising existing ones. "Furthermore, organisations act to achieve social legitimacy and occasionally achieve this legitimacy through a process involving identification with other legitimate actors (Pfeffer and Salancik, 2003, p. 222). Failure to live up to this expectation robs the organisation of the intangible asset of legitimacy which the authors explain "is bound up with social norms and values; and while it is not correlated perfectly with either law or economic viability, it bears some relationship to both."

Joseph, the director of an organisation dealing with mental health discusses the changes he has made since joining the organisation. His business management skills as an MBA graduate, along with the buy in and assistance from the board helped him reduce the debt of the organisation by nearly 75%. Corporate funding was never a big part of their funding portfolio but unreliable payments from government and a decline in individual donations has made the organisation explore every possibility. "It's a very difficult cause to sell. My impression is that corporates want to, and understandably so, show what they have invested in. Unfortunately mental health does not sell well… we don't have the classic NGO identity card…I can't say luxury…uhm options of good photo ops. So we have to be very strategic in the way we do things". He details the organisation's plan to appeal to every aspect of the BBBEE framework, implement the King governance codes, research and try to understand the focus of potential donors, emphasize tax benefits and be the best partner they can be. "We will sell our business-like efficiency as an NGO which is compliant and understands and talks the language of business. This does not impact on our work as caregivers and empowerment facilitators-it can only help us".

One director comments that despite having a fixed model, and believing in it. "Listening to corporates is a good idea. Our model took a long time to develop,

there were changes along the way. It has worked well so far, but there is always room for improvement, and so I do listen".

Another respondent is more welcoming to corporate input. She posits that "government equals status quo, corporates equal change" . She emphasizes the innovation, research and development which companies are engaged in for optimisation of performance and is surprised at the fact that NGOs are not learning more.

"The irony is that we try to encourage independence through our assistance programmes, yet dependence is a reality we as an organisation face", *Pamela.*

Different strategies

Chantel has a very firm position on dependence on NGOs. "It's a reality that is here to stay. Yes we generate some income based on the sale of some of our materials, but hey..I am not a business. You must make the choice about whether you want to be a business that does good work or an NGO. If you are an NGO you will remain dependent on people, organisations or even government for your survival. The key is about being smart about it"

"There are strategies that we can employ that the partnering with a corporate has alerted us to, eg. There shouldn't be anything from stopping us running a similar course in the northern suburbs that can subsidise what we do. But it can't become the core focus. It's the same as the products which our students make, we do sell some items but we are never gonna sustain ourselves on it". *Andrea*

The premises that we operate from, our salaries and accounting function is all sponsored by this company. So it's those types of contributions that make it easier for us to function". *Lizette*

The general consensus seems to be that that creativity is needed in managing the dependence. Angus remarks that the dependence of NGOs on external donors is no different to the dependence of a business on customers to buy their products or services. "Securing funding is my work, the same as a sales person sells and markets the products of a business. So no this is not a problem...it is no more a problem to me than a business has getting customers".

Ginger comments that she knows money is something corporates don't always have, but they have a wealth of other resources we can make use of. She suggests asking for different things. Companies are not always willing to fund overheads, yet make administrative demands that we have difficulty fulfilling because we are already spread so thinly: "Send us the accountant or the HR person once a week".

Andrea expresses a similar sentiment and says she is grateful for the other ways in which corporates have helped their organisation." We are sent on training amounting to thousands annually. We are partnered with persons in organisations to learn and shadow the way they do things. These are invaluable to us. We could never afford some of these speakers and courses.

Nicky, also expresses that the first way to deal with dependence is to acknowledge it. She believes that understanding and having knowledge on everything around you is key to managing the dependence. She accredits the success of their organisation to the huge pool of skills that they tap into. Yes it was founded on values and a need to help people, but us as specialists in what we do, we allow that vision to be carried out. We don't put our eggs in one basket and operate a lot like a business.

Though most of the NGOs agree that there are ways to manage the dependence like asking for different stuff, getting more and more donors and not relying on one, selling small products or having some paid for services and consulting, *Andrea*, *Chant*el and *Ginge*r emphasize the need to change the way that NGOs view and market themselves. We will never be businesses but what we offer to corporates should not be underplayed.

"As creatives we need to show corporates that we can contribute to their productivity. We can contribute to their core business, different approaches to what they do. Similarly they can partner with us on some of our projects-as real partners, not funders." *Ginger*

Look we need both, once off interventions and more sustainable ones, I get that…but we need to be promoting more of the latter" Andrea She explains that once off donations are what has saved their, and other organisations from closing their doors. The problem however she stresses is that this does not allow for good

planning and preparation. If they come on board and want to partner with us, I think that will allow for proper, sustainable development-and a proper transfer of skills.

There is no real exchange of ideas. I think we make it easy for them by coming with clear cut proposals and requests for a certain amount of money. I also know that some NGOs don't want corporates involved. They are intimidated for a number of reasons. We are not the best housekeepers and they fear that…you know…they'll be exposed…not that they are (dishonest) but that they do things in a way that corporates don't like. The other thing is that they are scared of being hijacked. Their *babies, their projects being taken over…you know for some this is their lives…."*

Ginger, the director of a visual arts organisation agrees that the current model favoured in South Africa is in most cases not sustainable because it still keeps us separate from corporates. They fund projects and move on. Where it's very easy for them to extract themselves from something because of a change in focus or budget cuts we find ways (sometimes through huge sacrifice) to make things work. I think if they were more involved in the design/conception of projects, there would be a more sustainable nature to the business.

Simon has a similar feeling and recalls how a donor had called them in to advise of budget cuts. After a site visit upon which they insisted, the budget was increased. Proper interaction with the beneficiaries made that possible.

Chantel has had very positive experiences in general with her donors. She is very assertive and blames NGOs for the inferiority complex in the business-NGO relationship. You need to first of all believe in what you do, that what you do is important in the world…if that is sorted you can approach donors confidently. If you believe that you are begging, they will see you as begging…your attitude and approach is so important. So yes we are dependent, but it's not a sentence.

She recalls one donor looking at their financial statements and saying the telephone bill is very high. She was very defensive, explained the importance of communication with field workers and trainees…She had immediately assumed that he was referring to abuse of the telephone. A few days later her sent a telecoms consultant, assessed how and when they were using the phone and swopped to a package which reduced the telephone bill tremendously.

Chantel again finds the way that businesses operate to be so effective. They have so much to offer in terms of making our resources go further.

The NGOs had a general set of options and strategies that they were employing to deal with the dependency like, increasing the amount of donors, asking for resources other than money, partaking in income generating activities like the sale of goods produced by the NGOs and charging for the same services in sections of the population that could afford it. These are practical ways and steps which are not only intuitive but available in any number of fundraising text books.

The NGOs which have more professional staff have employed and continue to embark on making these changes and finding ways to implement them. There is however, apart from these practical steps to manage the dependence a strong emphasis on the organisations attitude towards dependence. The acceptance of dependence as a weakness in the organisations may lead to practical ways changing it, but the attitude with which it is addressed, sets the stage for NGOs to occupy a subservient role in the relationship in which they yield little or no power versus one in which they are partners.

Andrea describes how their premises are very close to a large company. The company approached them a few years ago with a proposition to upgrade the premises. The organisation was very happy and knew that this company took CSI very seriously. They had seen lots of case studies and projects which they had funded in the media. The expectations were high. The organisation was not only disappointed but a bit out of pocket because, the donor provided some furniture and equipment of a very inferior quality which the NGO had to re-enforce and recondition. The unveiling of the event was however one of much ‘pomp and fair”. Andrea suggests that, along with the huge sponsorship board they put up must have cost double the amount spent on the actual upgrade. Our beneficiaries deserve better.

She described this as the worst case of CSI “which unfortunately happens more often than we would like because in their minds-beggars can’t be choosers”. She sent a standard thank you letter, promptly removed the sponsorship board and vowed never to be wowed by the prospects of big business. They have had much better experiences with smaller, more sincere companies she explains.

The majority of NGOs have however shown a confidence which challenges the "beggars can be choosers" idea of NGOs accepting whatever donors have to give. The self-perception of NGOs has proven very important and idea of value, but also truly believing that your beneficiaries deserve better

The view of it being a natural characteristic of the sector, "the nature of the beast" as one interviewee describes it, places the NGOs in a much better position from which to negotiate but rather a reality that did not condemn the organisations to a position of beggar.

Donor Demands and Requirements

"As a consequence of the growing interdependence, organisations make more demands on one another to obtain some degree of control over each other's activities so that he needs and interests of each can be predictably met."(Pfeffer and Salancik, 2003, p.92) In the case of NGOs which are placed in the demanding position of intermediary between donors and beneficiaries while complying with demands placed in them by government, the management of these demands is crucial. Complete compliance is described by Pfeffer and Salancik as a "loss of discretion, a constraint and an admission of limited autonomy. The following section outlines the various demands on NGOs as well as some the strategies they employ in managing these demands.

Applications and Access

Donor demands could be categorised into two: firstly the requirements of potential donors and secondly the requirements of actual donors. Accessing donors has been described by the more experienced and the newer NGOs as the hardest part of CSI.

There seems to be two different approaches ":networking which relies on people and promises or processes which rely on paperwork and prayers.

Two of the smaller NGOs admitted to networking as a key way to secure funds. "I've taken up a 'world of Golf' member ship." This is where deals are made, I have no desire to be writing proposal after proposal and being rejected all the time for various reasons, or just receiving no response at all. He admits though that even with the personal contacts, it doesn't always guarantee success. "Many people make promises because they are afraid to turn you down because there is a personal nature to the relationship. It has helped, I remember e-mailing and calling the office

of a prominent real estate agent in one of the areas we operate for months and months with no reply. Turns out she's a friend of a friend and with one phone call, I was in her office. ." He does however comment that planning becomes very difficult in these conditions, "because you don't want to count your chickens before they've hatched…but also you don't want to nag…you don't give friends deadlines…

Miranda also admits to relying on personal networks, church members and neighbours to appeal to the companies where they work for support. Being a very shy person, she often relies on others to do her bidding. There's no shortage of bidders since she's well-known, loved and respected in the community. 'I think they trust me, they know whatever is meant for the kids goes to the kids. I don't have costs that I need to cover. It's mostly departments at work or staff contributions. She doesn't mind people coming to see her at work, what she does, etc. I would like to register myself and I'm sure this will open up possibilities for me, but doing what I do here. I've been doing it like this…and with God's help and the community…I don't know Razia…will this change things for us?

"We have only been successful when we have had someone who is known to the organisation to champion our cause. It is difficult to get to talk to the decision makers i.e. those who hold the purse strings." (e-mail respondent, Harriet)

We find the best way is inviting them to our premises for a visit. They get to see what we do first hand. The standard forms that we fill in are so dull. It is so hard to make our cause stand out. It definitely benefits those with a strong marketing ability. Yes I suppose it makes it easier, it creates a standard by which we can all be measured. The key to our success is however the cause, and the cause cannot always be articulated on paper….gosh or even in an interview for that matter…but when people walk in that door and see our kids, and hear their stories…that's different, that's special." *Candice*

Angus comments that organisations like Tshikululu have gone a long way to simplifying processes as have big companies by openly stating which sectors they fund and "so you don't waste your time even going through these processes.

“Loads of paperwork, but in many cases they at least send a rejection letter, sometimes explaining why. It’s a learning process and sometimes we retry and are successful.” *Jeremy*

“The processes often lead to us assessing our own house...is it in order? It means we have to stay on the ball,” *Ginger.*

Despite the fact that the bigger companies have standardised the application processes and types of NGOs they fund, the process still remains very difficult for NGOs. Though not pleasant to receive, the courtesy of rejection letters were helpful for NGOs to improve on their applications. There is however a concern that the simplification and standardisation has a reductionist impact on NGOs who feel their very soul and identity gets lost in the process. The network and personal approach favoured by smaller NGOs and donors is also not without its problems since these may impact negatively on the personal relationships of the persons involved.

Organisations have demonstrated two ways in which they manage the application related demands, the first being compliance and the second is a tactic of avoidance. By employing their own methods of networking and by first expressing their demands, they enter into a process of negotiation. *Candace* felt this altered the terms of the engagement and by allowing her to display herself/the organisation in her best (or most desperate) light she tipped the scales in her favour.

Reporting

Many of the respondents agreed that the demands of corporates were fair and reasonable” *Andrea.*

“They want a report, you give them a report. You give them what they want and more. Their focus is normally financial. I will add another report, my own about “their” students, so that there is a personal connection’: *Angu*s

They can demand too much reporting detail and consequent expensive admin”. (Abraham, e-mail respondent)

Most of the NGOs expressed the nature of donor demands and the administrative burdens of showing compliance as the main way in which they had affected the NGO. Ginger comments that: “this is normally an area of weakness for us since we

are so caught up in what we do. We can say no to donors and find ways to avoid them, but we can never say no to the program". *Andrea* agrees: "I do my best and comply, but for us getting things done in the organisation is more important.

The demands of corporates though largely accepted and complied with, have proven to be a bane for many NGOs who lack time, ability and sometimes interest in compiling onerous data for which they see little value-other than to secure funding again. Ebrahim is sympathetic to the pressure that the demands of corporates place on NGOs and states that this upward accountability should be placed in perspective. Unless the reports are used as tools for learning and future programmes, he contends that this is detrimental to the operations of NGOs. The interviewees however expressed a balanced fashion in which they complied and used the reports to their and the advantage of beneficiaries. "(NGOs) involved in activities of complex social development and poverty alleviation, too much accountability can hinder them in achieving their missions" (Ebrahim, 2005,81).

Jeremy despite being relatively new to CSI comments that the administrative requirements are minimal and the current favoured model in South Africa of funding existing programmes means that donors have very little influence on the actual programmes. Yes they offer advice, request the occasional report but for the most part once they've agreed to fund you…and you comply with their demands…they don't interfere. I think the idea of donor influence tends to be overrated. . Businesses do want to do good, especially if they are giving the money anyway. We need to help them. What there is an issue with however was the short notice of demands which placed a strain on the often limited and stretched human resources. This is however a few isolated cases. NGOs also expressed a certain amount of disappointment with the lack of interest in narrative reports

"Corporates may try to influence programmes in a way which makes reporting easier and affords them maximum mileage in brand development and legitimacy, by we must manage that. We do research on potential partners and decide if they fit our profile and if they are good for us and to us, we go out of our way to give them what they need" *Lizette*

Chantel and *Angus* both insist on regular meetings with donors. Angus's 'trump card" he says is taking students from the program to attend donor meetings. No training or coaching, just honesty and gratitude".

Chantel and *Angus* also compile their own reports and issue these to donors. Similarly they compile reports based on what donors require and add narrative reports and updates with pictures making the report as human as possible. "people give to people" says *Angus*, a recurring assertion in the interviews.

Market or Mission orientation

Overcoming or managing dependency rests to a large degree on being market oriented. The biggest problem with being dependent for any resource is becoming irrelevant to the source of the income, skills or whatever. Circumstances such as the financial crisis or recession have resulted in many CSR/I budgets being cut. Where budget have been cut, NGOs are faced with the task of still being of value to the donor. This rests largely on the organisation understanding what the corporate as much as the community still needs. Being more than the flavour or charity of the week rests to a large degree on being in touch and in tune with what the market demands. Trends change and one has to highlight your relevance. One organisation discusses their course content and the fact that it is aligned not only to government's economic imperatives but even the Millennium Development Goals. This is further supplemented by the local community situation and how the course has/intends to affect change. She calls this a balance between market and mission.

When asked during the interviews how projects were determined, most of the NGO's responded that it was needs based. Many of the organisations were started as a result of the needs in a community which is in keeping with the founding principles of an average NGO.

Chantel and *Lizette* both argue that too much of a reductionist view is adopted and that the relationship is more complex than needs based. This is particularly so for *Chantel* who was commissioned by a government department to implement a project. The role of the government in determining forthcoming channels of spending and funding should not be under-estimated.

Donors had little or no input in the determination of projects or how they were carried out. Almost all NGOs advise that they try to accommodate requests by donors to implement programmes, only if it was part of their core operations.

“They know us as the assertive ones…we have a way of doing things”, Candice giggles as she recalls one corporate interaction where she stipulated timelines and children’s preferences…how money must be deposited…when they could come…you know sometimes they want to come when the kids are not here or they can be very inconvenient…”

Conclusion

In the quest to obtain resources critical to survival, exploring new options of funding is a logical approach. What emerged as critical was the maintaining of legitimacy for NGOs as this is what corporates rely on them for in space that may be unchartered waters for them. The interaction with corporates in the space of CSI has been very influential in the way that NGOs operate. For some it has meant change in the way of administration, changing the way they brand themselves, or small tweaks to the way they were doing things. Some of the NGOs were in awe of corporates and felt that they could learn a lot from them to make themselves better versions of themselves. In an environment which is changing and placing a strain on the operations of NGO’s, the identity, values and devotion to the mission has led to adaptations of organisations aligned to corporate demands and practises without compromising beneficiaries. Change was good, if viewed in terms of operation, improvement, efficiency, innovation etc. - but organisations have to be mindful of not changing so much they lose the alter the entire fabric on which they are built.

NGOs which have a reputation for being mission driven and not as admin orientated as businesses tend to be, have expressed a willingness to comply with business demands which they describe as mainly administrative. With a few exceptions of unrealistic deadlines, the preparation of donor reports is seen as a positive exercise for NGOs which allows them to take stock of the organisation and its activities. The asymmetric resource interdependence that Ebrahim (2005) refers to, (ie donors requiring the reports for their reputations for their CSR programmes and NGOs

requiring funds from donors) has not played a huge role in the operations of NGOs. In fact NGOs use the request to report as an opportunity to open negotiations about future funding. The altering of reports to highlight and showcase the positive side of the organisation is also a means of managing the amount and type of information that donors are exposed to. This was also achieved by submitting reports without being asked as well as calling meetings to report and discuss progress. These pro-active measures afforded NGOs the opportunity “show ourselves as professionals and appear in a different light.

CHAPTER 8-Conclusion

Legislation and Policy

The political history in South Africa has uniquely shaped the way in which CSR has unfolded in South Africa. The major piece of legislation which presents the business case for South African corporates and provides the basis on which NGOs position themselves are stakeholders. BBBEE, is drawn up on the grounds of race. The way in which government has responded to issues and discontent with NGO related policies and legislation creates a feeling of power and purpose amongst NGOs. NGOs expressed a satisfaction with legislation and policy, and were optimistic that the government was creating an environment conducive to a healthy NGO sector. There were a few implementation and capacity issues experienced with the Department of Social Development, but this was not a major area of concern. Younger NGOs displayed very little knowledge of legislation pertaining to BBBEE and CSR and even governance, but expressed an interest after the interviews. This was also influenced by the background of interviewees and board members where existent. Those from a corporate background were more proficient in policy and governance structures-a definite benefit that professionalization creates. These NGOs were able to exploit opportunities and design their "corporate identities" to align with these regulations and requirements. Their awareness of the CSI market also stood them in good stead with funding opportunities.

NGOs were not passive in the acceptance of the policies, and exercised initiative and found ways of making it work to their advantage.

Accountability and the role of NGOs

All of the NGOs maintained that they were accountable to donors but ultimately their beneficiaries. They represented different vulnerable people and based their programmes on these needs gauged on research and consultation, though they were flexible in ways of addressing the needs if alteration of programmes were able to satisfy donor requirements while simultaneously sticking to the mission.

The assertion that companies will hold a lot of power is true. NGOs however do influence the process by standing their ground by being selective of partners, by not just complying with but also demanding of their partners. The boldness with which some of the NGOs have expressed their responses and strategies of getting

corporates to “dance to their tune” is indicative of a strong, determined group. They will not be dictated to despite having to acquiesce, they managed to do it on their terms. The dependence of resources does not render NGOs powerless, only vulnerable.

The commonly followed model of donors funding existing projects minimizes the donor influence on NGOs. It was also found that the influence or mission creep was less in NGOs who had a fixed model or programme which they run. This however maintains the NGO position of implementer and is likely to change in the event of NGOs becoming partners of businesses. Though posited as a step towards real development, accountability and influence from donors could threaten the comfortable relationship and “lasses faire” they enjoy. The reporting demands and administrative changes they have had to make have proven to the advantage and they value the training they have received in this area as beneficial to their programmes. The current state of philanthropy based CSI has also not compromised accountability to beneficiaries. One way in which the practise could perhaps improve is by making beneficiary based outcomes part of the corporate expectations so that NGOs are simultaneously accountable.

NGO identity and the influence of CSI

One fear that NGOs did have is the homogeneity with which NGOs are viewed by corporates. Though they welcome the attempts at simplifying the applications and reporting processes, important details and characteristics can be lost.

This was a form of report which they submitted on their own accord as this was what they believed important beyond the budget. Though the standardisation of reports, applications etc. were welcome, the one size fits all approach was a point of concern for the NGOs. In an attempt to be compliant and industry ready, NGOs felt that they were being turned into “One”, robbing them of their unique, special qualities. The most important aspect of coping has been to acknowledge the demands of donors, identifying the benefits of compliance and melding this with the capacity of the NGO.

NGOs often insisted on the site visits, or photos or other humanly aspects in an effort to maintain their identity amid a trend of standardisation.

NGOs were aware of the importance of a corporate identity, especially when engaging with corporates and were learning to talk the language which businesses understand. Part of this process, involved professionalising operations which they felt was necessary and justified in continuing the mission and furthering the cause. There seems to be an understanding and respect between professional staff and those employed for their other qualities. There is room for both types of employees, in fact some felt that the survival of the organisation necessitated both.

Intangible assets

The bigger NGOs exuded a confidence and sense of purpose which went beyond the immediate needs of their beneficiaries. The lack of success of some of the NGOs could be attributed to a lack in this area, coupled with a fear for change and the formalities associated with corporates.

The belief and recognition of the value which the various organisations possess helped them to navigate their dependency in an admirable way.

The key it seems is highlighting, building, improving and exploiting these intangible assets and being able to make others see it too, so that their benefits will emerge as tangible.

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