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Bottom Line or Bleeding Heart:

**The Result of a National Study of Giving in the Small and Medium
Business Enterprise (SME) Sector
in South Africa**

Susan Wilkinson-Maposa* and Ceri Oliver-Evans**

Abstract

Corporate Philanthropy and social investment in South Africa is a dimension of resource mobilization that has been called to attention by critical policy and legislative frameworks. Attempts to generate evidence and understanding of practices and performance on social expenditure of listed companies have emerged. A recent national study expands this knowledge generating empirical evidence on Very small, Small and Medium Enterprises in South Africa.

A quest to expand knowledge and the evidence base on the philanthropic and social giving behaviour of businesses is applied to the SME segment in South Africa. Detailed empirical and qualitative evidence is employed first to expand knowledge on company philanthropy and social investment in South Africa and second to offer insight and categories that could be useful to subsequent inquiry elsewhere on the continent in particular where the business landscape is largely populated with Small, Very small, Medium and Micro Enterprises rather than a corporate presence. This insight could create scope for a new conversation on resource mobilization between communities and enterprises, including micro enterprises in secondary economies; a significant and dynamic feature of the business landscape in parts of the continent, and in so doing take forward the emergent narrative on African philanthropy.

* Director the Community Philanthropy and Social Investment Programme at the Centre for Leadership and Public Values at the Graduate School of Business, University of Cape Town, South Africa

** Director of the Centre for Leadership and Public Values, University of Cape Town, South Africa

Introduction

Development and poverty alleviation relies on getting resources to where they are needed and draws on a wide spectrum of givers in society. This can include government, official development assistance, religious organizations, business as well as individuals rich and poor. Within a concern for civic engagement and philanthropy, this chapter contributes to expanded knowledge on company social investment in South Africa, an area of inquiry that has gained increasing attention through international guidelines such as the United Nation's Global Compact (2000), national guidelines, including the King II Report on Corporate Governance (2002), and specific legislation such as the Broad-based Black Economic Empowerment Act (2003) and the Codes of Good Practice and Scorecard (2007). Evidence and understanding of practices and performance on social expenditure of listed companies in South Africa have emerged, including two surveys by the Centre for Development and Enterprise, the CSI Handbook produced annually by Trialogue as well as a recent qualitative study on corporate giving conducted under the Social Giving Project, University of Kwa-Zulu Natal.

This chapter expands this knowledge base generating new empirical evidence on Very small, Small and Medium Enterprises (SMEs) in South Africa, a segment of the business community which is approximately 216, 000 businesses strong (Statistics South Africa 2005). Focusing on this segment of the business community expands the knowledge on company giving, offers evidence that SMEs contribute to the country's social giving spectrum and advances understanding of its specific features and characteristics. In doing so, evidence challenges common and widely held perceptions that SMEs are too engaged in their own survival to give, lacking the resources and inclination to do so (Friedman et. al., 2008:173). On the contrary, evidence points to a different conclusion. It reveals that the majority of SMEs who participated in the study contribute resources including time and money. They think of themselves as "caring entities" responsive and reactive to the needs of people and society around their business. The estimated contribution in cash and kind is not trivial. A simple extrapolation for the SME sector as a whole indicates that the total for cash donations alone stands in excess of R436 million per annum a significant sum when seen against an estimated total of R2 billion of Corporate Social Investment (CSI) expenditure on the part of large corporations and state-owned enterprises. (Triologue, 2007:72)

Our consideration of SME giving is motivated for two reasons. First a quest to broaden knowledge on company philanthropy and social investment in South Africa and offer characteristics and dimensions that could contribute to further study elsewhere on the continent. Second, is the growing recognition that academic institutions, and in particular business schools have a critical role to play in advancing the broader cause of corporate social responsibility. This position, in line with the UN Global Compact's Principles for Responsible Management Education (PRME) adopted July 2007, argues that those involved in the education of current and future managers need to engage in a process of improvement and transformation of management education so students can be future generators of sustainable value for business and society at large (Bendell, 2007: 4-5).

This chapter embarks upon a quest for knowledge. Following a discussion on methodology and limitations, the chapter presents the findings of a quantitative national survey and qualitative findings of key informant interviews. The conclusion raises the issue of the social impact of SME giving and its significance.

Methodology and Limitations

In order to conduct an environmental scan of the nature and quantum of giving in the SME sector in South Africa the research design had to be practical, feasible and have the potential to inform a longitudinal study. To this end a set of basic questions were drawn up: what is given; who are the beneficiaries; how is giving managed; what are SMEs perceptions of the impact of their giving and, finally, what are the underlying drivers or motivations for giving.

With respect to sampling, very small, small and medium enterprises were identified as the primary classifications for the sample which was informed by Statistics South Africa (2005) data on total small, medium and micro enterprises (SMME). Of the total number of SMMEs (452, 939) roughly 48% or 216, 197 were very small, small or medium enterprises. While micro businesses are a sizeable and important component of the sector, comprising 52%, it was decided that they warrant their own specific inquiry and thus were excluded from this study.

The Department of Trade and Industry's standard definitions for SME size according to number of full-time employees was used to determine business size (refer to Annexure 1). While the initial intention was to have quotas by industry sector, this proved difficult to put into practice as too many potential respondents were being lost because they did not match both business size and industry sector requirements. Thus, it was decided that quotas would be set for province and for each of the three business sizes within province but not for industry. The sample frame allowed for robust representation from each of the nine provinces. The total sample achieved was 824 comprised of 305 very small, 293 small and 223 medium businesses (refer to Annexure 2)¹.

The research process followed four chronological phases: a pilot comprising 76 telephonic interviews to develop and test the survey instrument; a national quantitative survey comprising 824 telephonic interviews to collect the data; a peer review to vet the findings and in-depth interviews conducted with 14 respondents drawn from two provinces who had participated in the national survey and who had indicated they had given in the previous 12 months. The pilot was conducted in October 2006 and the quantitative survey commenced at the end of November 2006 and was completed in the latter half of January and early February 2007. Data analysis and peer review was undertaken in 2007 and in-depth interviews conducted in April and May 2008 to interrogate two key issues; namely, the relationship of giving to profitability as well as the characteristics of the giver. SPSS 15.0 for Windows statistical software was used for data capture and analysis of the survey findings and interviews were recorded, transcribed and then analysed using NVivo qualitative software.

The research generated quantitative as well as qualitative evidence on the quantum, nature and motivation of SME giving. However with research of this nature there are limitations. There is the possibility that respondents may have under or over reported different behaviours or attitudes. In this respect steps were taken in the design of the interview protocol to reduce this occurrence. Thus in setting up the interview, respondents were reassured that it did not matter whether they personally had been involved in giving to others or not, nor how much was given, since the researcher was interested in all situations and points of view. In addition prior to questions on the giving behaviour of the actual respondent, respondents were asked to cite general barriers to giving for businesses such as theirs, in order to reinforce the idea that it was understood and accepted that not all businesses were in a position to give.

¹ Three businesses were not categorized by business size owing to interview error.

Second, there was a sampling limitation. Lists of active businesses were sourced from the Companies & Intellectual Properties Registration Office (CIPRO)² and these were sorted by sector. However, CIPRO lists do not include telephone numbers of businesses and these had to be obtained from telephone directories. While CIPRO lists were supposed to only include active businesses, many businesses from the CIPRO lists could not be found in the directories. Others turned out to be in a different industry sector than that indicated in the CIPRO listing. Therefore the decision was taken to sample directly and randomly from the telephone directories for each province. As indicated above it was also decided not to limit or quota industry sectors to be included in the survey, although this information was recorded in the interviews.

Upon completion of the survey research, the findings were peer reviewed in a half day workshop. This process was used to deepen our insight and to identify intriguing issues for further qualitative research via a series of in-depth interviews. It was decided to secure interviews with 18 businesses in two provinces that had been well represented in the survey in order to enable coverage for business size and type of ownership. Respondent availability was the primary challenge encountered in this phase of the research process and consequently a total of 14 interviews were completed with SMEs of which 20% were individually owned, 33% partnerships and 40% family owned while 27% were small, and 33% very small and medium, respectively. Finally, it should be noted that significant time had elapsed between administering the survey and the interviews and therefore we used the existing survey data for this subset as a baseline with which to compare these qualitative interview responses.

Survey Findings

A key interest of this study was to generate an evidence base from which norms and patterns of SME giving could be understood to enable a systematic appreciation of giving behaviour, allowing key domains or dimensions of SME giving to surface. These findings can assist with comparative work, further inquiries and possible longitudinal studies. This section presents the significant findings of the survey.

The data provides a robust picture of the extent, nature and motivation of social giving within the SME sector in South Africa, interrogating the who, the what, the how and the why. In this context the focus is primarily limited to comparisons by business size; that is between medium, small and very small businesses.³ The data has been analysed by a far wider range of variables (such as province, industry sector, age of business, business life cycle, business ownership, etc.) however such detail is beyond the scope of this chapter. Rather the survey findings presented here are a summary of the more detailed findings and must be treated as such. Furthermore the qualitative findings discussed later in the chapter serve to deepen our appreciation of these findings.

What is given

Incidence of giving

A key objective of the survey was, firstly, to ascertain whether SMEs do in fact give to the community and if so to explore the nature of their contribution including type and financial value. To do so we asked all respondents in the sample (N=824) if their

² CIPRO falls under the Department of Trade and Industry and manages registration of all companies.

³ Analysing data across business size categories, we find a regular pattern with medium, small and very small enterprises tending to be positioned along a continuum. Differences were often not extreme.

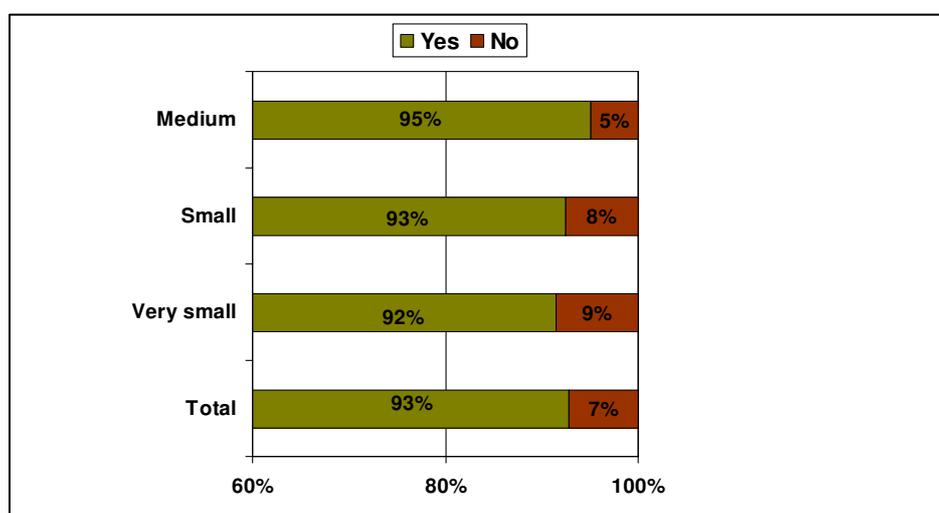
business had helped others or given to the community in the past year (i.e. previous 12 months).⁴

A striking observation is the large proportion 80% (n=660) of SMEs claiming to have given to others in the last year. This finding is significant as it refutes what appears to be a widespread perception that SMEs do not give.

A responsibility for giving

To gain an insight into what drives this giving behaviour we asked all SMEs whether they feel they have a responsibility to give to the community. An overwhelming majority 93% (n=765) feel they do have some obligation to give as depicted in Graph 1 below.

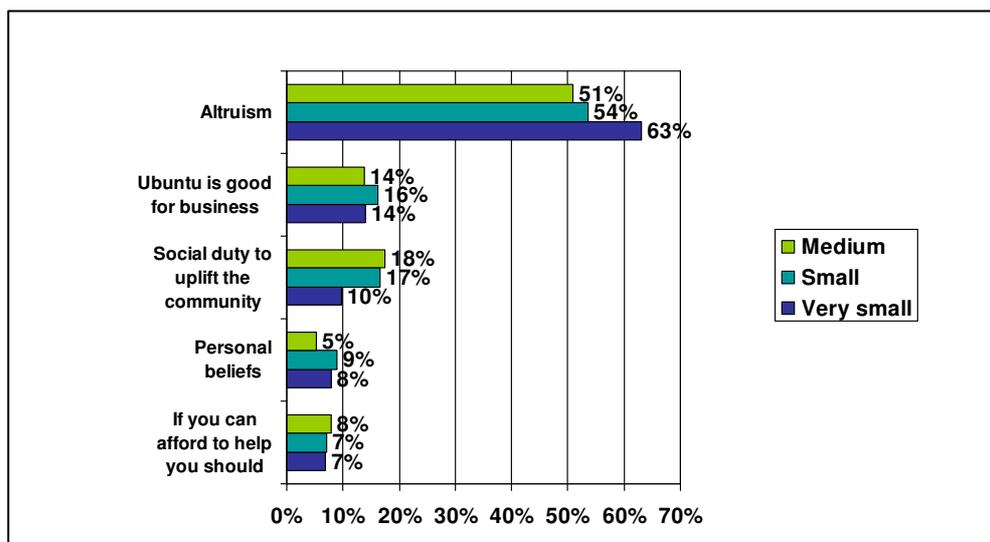
Graph 1: Perceptions of SMEs responsibility to give to others (all respondents)



An analysis of the reasons given is informative, providing a greater insight into what was included in the post-coding categories used to group comments see Graph 2 below. Altruism, defined here as the strong belief that those who are in need should be helped by those who are able to do so, is the key driver and is mentioned by 56% of respondents. This attitude is especially pronounced in very small businesses expressed as: *“Those in need should be helped”*; *“empowering/helping those who can’t help themselves”*; and *“there are many who can’t afford (burials/wheelchairs /medicine etc.)”*.

⁴ Each beneficiary was discussed separately with the respondent and counted only once, in cases where they have received a contribution more than once within that time period.

Graph 2: Main reasons why SME's have a responsibility to give to others



The statement “*Ubuntu*⁵ is good for business” is used to group comments relating to the symbiotic relationship that exists between SMEs and their communities. Mutual support benefits all, according to 15% of respondents. They expressed this as “*The community supports our business*”; “*if you give you get back*”; and “*BEE compliance*”.

Some businesses see the giving behaviour as more of a social duty (14%) and it is interesting to note that whilst altruism is particularly mentioned by very small businesses, social duty is mentioned relatively more often by small (17%) and medium (18%) enterprises as captured in the following quotes: “*To uplift the community*”, “*social responsibility*”, and “*to make a difference/contribute to development*”.

Personal beliefs play a lesser role in medium businesses (5% compared to an average of 8%). These are expressed as the “*right thing to do*”, “*religious beliefs*”, “*my background makes me help*”, “*makes us happy to do it*”. While these differences are not huge they do point to the hypothesis that the larger the business, the more “formal” the attitude tends to be towards social giving/social investment.

Of the small proportion (7.2%) of respondents who stated that it was not the responsibility of their sector to help others, the belief that this was an area for the government to address was cited most often (20%). However, it is interesting to note that a nearly equivalent proportion (19%) of respondents stated that the issue was not so much that the needy should not be helped by businesses but that this activity should not be forced on them as a formal responsibility. Expressed as: “*Those in need should be helped, and it’s the right thing to do (but it’s not the responsibility of our businesses)*” and “*you cannot give if your business cannot afford it*”.

Type of help that is given

We then asked what type of help their business had given. Table 1 provides the distribution of type of help given by the most significant categories for all respondents that gave. The first column provides a combined total across all three business types and shows that SMEs give cash far more than other forms of donation with nearly

⁵ “*Umuntu ngumuntu ngabantu*” - I am because you are, you are because we are - “*Humanity is interdependent*” quoted in The King II Report on Corporate Governance for South Africa (2002)

70% of respondents citing this form of help. The remaining columns provide a percentage breakdown of help given by business type. This data shows that the overall trend does not vary significantly across business size.

Table 1: Type of help given by business size (all respondents that gave)

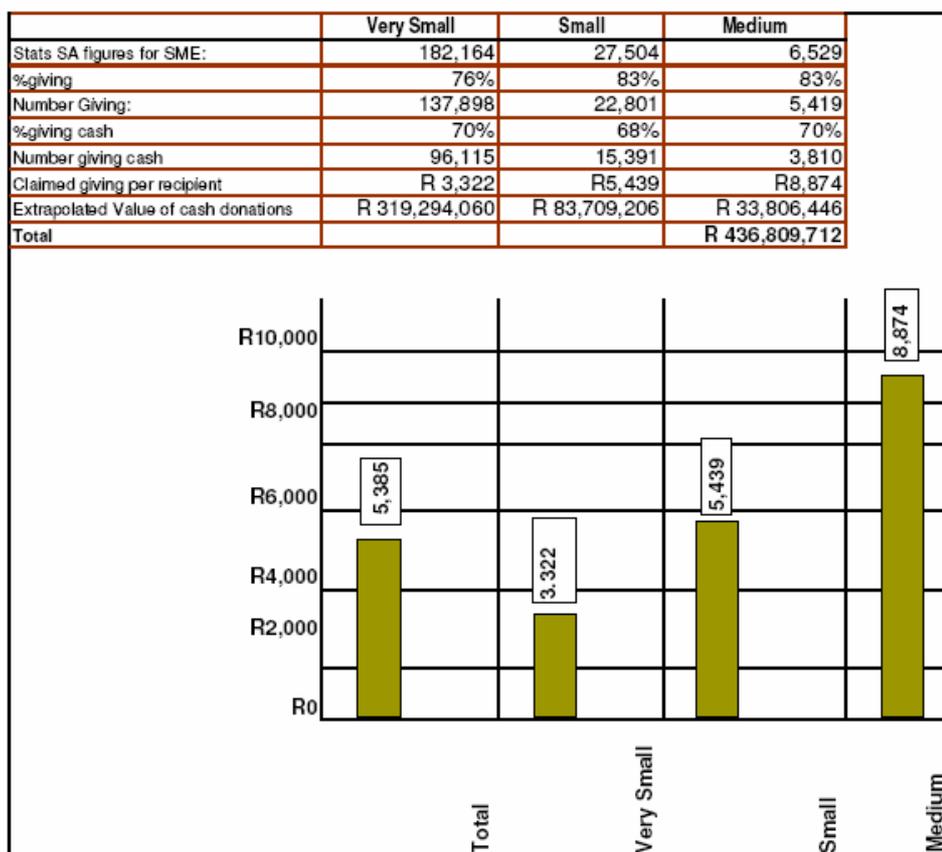
Type of help given	Total n=659	Medium n=185	Small n=243	Very small n=231
Money/cash donation	69.1%	70.3%	67.5%	69.7%
Industry related goods	23.0%	27.0%	19.3%	23.8%
Purchased and donated specific needed them	15.9%	17.3%	14.8%	16.0%
Food	11.7%	10.8%	16.0%	7.8%
Industry related services	10.0%	10.3%	11.1%	8.7%
Training	8.3%	9.7%	10.7%	4.8%

Value of donations

A key interest of the study was to measure the value of donations contributed to the community by SMEs, keeping in mind the limitations of the survey methodology including accuracy of recall on exact amount of donation and telephonic cold calling (both of which did not allow for a detailed assessment of the value of donations, including complete clarification of the relationship between value and frequency of donations). While respondents were asked to indicate if their giving was a once-off event or repeated during the year, the majority claimed they gave more often than once. However the question on frequency was posed after, and separate to, the one on value, and it was not always possible to be completely certain on the level of accuracy of recall. In future research this question could be asked with greater clarity, enabling a clearer and more complete view of this aspect.

Given these limitations we did not seek out an exact value but rather endeavoured to get an idea of the likely value of donations made by SMEs. For those respondents who had given we asked them to estimate to the best of their recall the amount of money, time or goods given or spent against each category of help contribution. A calculation was made for monies donated using the average donation for each business size. We did not endeavour to quantify non-cash donations in the same way.

Graph 3: Average value of claimed cash donations per recipient by business size (all respondents that gave)



Graph 3 provides the average of all claimed cash donations per recipient across the three business types in the first column. It suggests that on average each SME donates R5, 385 in cash each year. The data in the remaining columns predictably shows that the average claimed cash donation increases substantially with business size, with larger businesses being in a position to do more than smaller ones. There is a range of approximately R5, 500 between very small and medium businesses.

Drawing on our findings, the inset table at the top of Graph 3 shows an extrapolation of the value of cash donations from the whole SME sector using the Statistics South Africa national figures on number of SME businesses. This simple extrapolation places the value of cash donations in excess of R436, 000, 000 for the previous year. This figure is considered conservative and does not factor in the impact of repeated donations, since this is not considered to be a stable measure.

Who benefits

A key objective of the survey was to ascertain where SME contributions are directed. We asked all respondents who gave in the last 12 months who they channelled or targeted resources to, where the individual or organisation was located and the type of help provided.

Beneficiaries actually supported in the last 12 months

As evidenced in Table 2 below, the seven beneficiary categories mentioned most often by respondents suggest that the poor and disadvantaged, those unable to help themselves in South Africa benefit the most from SME contributions.

The data in column one indicates that over 36% of respondents across all three business types who gave in the last twelve months targeted their support toward children and orphans. 30% of respondents cited targeting those in need generally. Just over 19 % of the respondents gave to the disabled and disadvantaged, respectively with a further 14.5% giving to the elderly, 12.8% to education and 11.3% to hospices.

Data in columns two to four provide the percentage of beneficiary citations by business type. The data suggest few significant differences across business size, other than medium businesses being slightly more likely to support education than the smaller businesses. Analysing the categories that fall outside the most significant seven beneficiaries suggests that medium business could also be an outlier and more likely to support sports than smaller businesses.

Table 2: Most cited type of beneficiaries/targets for giving in the last 12 months (all respondents that gave)

Who was given to in the last 12 months	Total n=659	Medium n=185	Small n=243	Very small n=231
Children/orphans	36.1%	40.5%	33.3%	35.5%
Generally the needy	30.0%	27.0%	34.2%	28.1%
Disabled	19.2%	20.5%	18.9%	18.6%
Disadvantaged	19.1%	17.3%	20.6%	19.0%
Elderly	14.5%	13.0%	14.8%	15.6%
Education	12.8%	18.9%	13.2%	7.8%
Hospices	11.3%	14.1%	12.3%	8.2%

Beneficiary location

In addition to knowing who benefits from SME giving, we wanted to determine where the recipients were located. We asked respondents who gave whether the recipient was located very close to their business, in the same town or whether they were a national level or international organisation. The data indicates that most SMEs do not go far afield. Rather the tendency is for SMEs to keep donations fairly local. Across all three business types, 69% of respondents gave to recipients based in their own town.

Decision making

We wanted to ascertain how SMEs make giving decisions. To do so we asked a range of questions concerning who the person or people in the business were that decided whether to give, what to give and when. We also wondered if this role was a formal responsibility or not. The first column of data in Table 3 provides the total percentage for all three business types, and reveals that decisions around giving and social investment in SMEs tend to be located at an ownership (32.1%) or senior management level (manager 29.4%, director 14.4% and Managing Director 14.3%).

Table 3: SME decision makers on social giving (all respondents)

Who is involved in the decision	Total n=821	Medium n=223	Small n=293	Very small n=305
Owner	32.1%	21.5%	34.5%	37.7%
Manager	29.4%	31.8%	31.7%	25.6%
Director	14.4%	17.0%	13.7%	14.4%
Managing Director	14.3%	19.3%	15.7%	9.5%
Admin/PA	7.9%	9.0%	6.8%	8.2%
Bookkeeper/accountant	5.6%	8.5%	5.5%	3.6%
Financial manager	3.1%	5.8%	2.7%	1.6%
Partner	2.3%	4.0%	1.4%	2.0%
Administration member	2.0%	1.8%	1.7%	2.6%
Board of directors	.1%	.7%	1.7%	1.3%
Assistant manager	.1%	1.3%	1.0%	1.3%

Analysis of data by business type reveal, not surprisingly, a shift in emphasis when business size is considered, with a lower mention by respondents of owners in medium businesses (21.5%) compared to small (34.5%) and very small (37.7%). Conversely, those in senior management get higher levels of mention in medium businesses, especially when compared to very small ones. Managers, directors and Managing Directors are mentioned by 31.8%, 17% and 19.3% of the former compared to 25.6%, 14.4% and 9.5% in the latter.

Motivation for giving

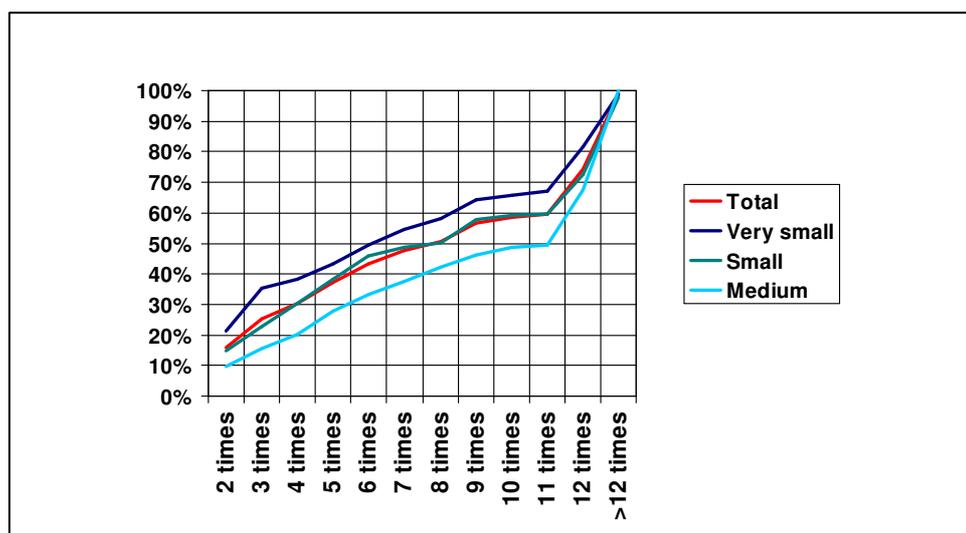
Respondents were then asked whether the involvement of the abovementioned individuals was part of their job description or whether they were involved because they had personal convictions on the matter. Drawing on the total responses across all three business types suggests that the people within SMEs who take decisions on social giving are involved in this activity because of strong personal convictions rather than it being a function of their job. Indeed, data suggests that only 35% of the respondents see this purely as a job function as SME giving to the community appears largely a function of personal conviction. This is especially true in cases where business owners and partners are concerned. The data suggests this is the case for 86% of the business owners involved in giving decisions and 79% of business partners.

Analysing decision making according to business size however suggests, as expected, that as a business grows larger the internal staffing structure becomes more complex and the range of management related tasks is spread out more, compared to the hands-on functioning of owners and partners in small and very small businesses. As a result, the proportion of individuals involved in giving as a part of their job description grows with business size (from 27% for very small businesses to 45% for medium businesses).

Frequency of giving

Having established, that SMEs do in fact give, with 80% (n=660) of all respondents having given to the community in the last 12 months, we wanted to get a sense of the frequency of giving. So for each type of help (money, industry related goods, etc.) cited by the respondent, we asked how often this type of help was given. Findings suggest that SME giving does not tend to be limited to a once-off interaction with the beneficiary, with 84% of SMEs stating they had made a donation more often than once in the past year, with this pattern varying little across business size.

Graph 4: Frequency of giving if more than once (all respondents that gave)



Respondents giving more often than once were asked how many times they had done so in the past year. Graph 4 plots responses as cumulative percentages. As evident, the lower the line sits on the grid, the greater the proportion of businesses giving at higher frequencies. For example, 50% of very small businesses give about six times a year or more but in medium businesses 50% give 11 times or more. On average though, it appears that at least half of all SMEs are giving at least every second month.

Planning and budgets

Recognising a high prevalence of an individual giving ethic in South Africa (Everatt et. al, 2008), a key interest of the study was to understand what triggers and motivates SMEs to give. To do so we asked whether businesses had a pre-determined plan and budget set aside for community giving. We learned that approximately a third of the respondents that had given (n=660) plan their activities (30%) or set aside a budget (32%) in advance. For the majority however, the process is primarily a responsive one as 69% of respondents do not tend to plan their giving activities in advance nor the level of their spend in the case of 63% of the respondents. The data suggests that the incidence of pre-planning does not necessarily correlate with business size, particularly where budget or actual spend is concerned. Whilst only 27% of very small businesses plan their expenditure, this jumps to 40% for small and 33% for medium businesses.

Giving triggers

Further light is cast on the topic of motivation when the events that triggered the giving activities are examined. All respondents who gave were asked what was happening at the time that informed their decision to give. SMEs appear to be reactive and responsive to requests from the needy. Table 4 suggests that just over half (52%) of all SMEs that gave were approached by the organisation requesting help. Events that indicate more proactive behaviour are at a far lower frequency of mention. 16.2% of respondents wanted to do something and looked, and a further 3.6% set aside a budget. Being asked by staff (5.1%) or family members (4.8%), and seeing something in the news or media (2.8%) can be considered a mix of proactive and reactive behaviour in the business, but these occur at fairly low levels overall.

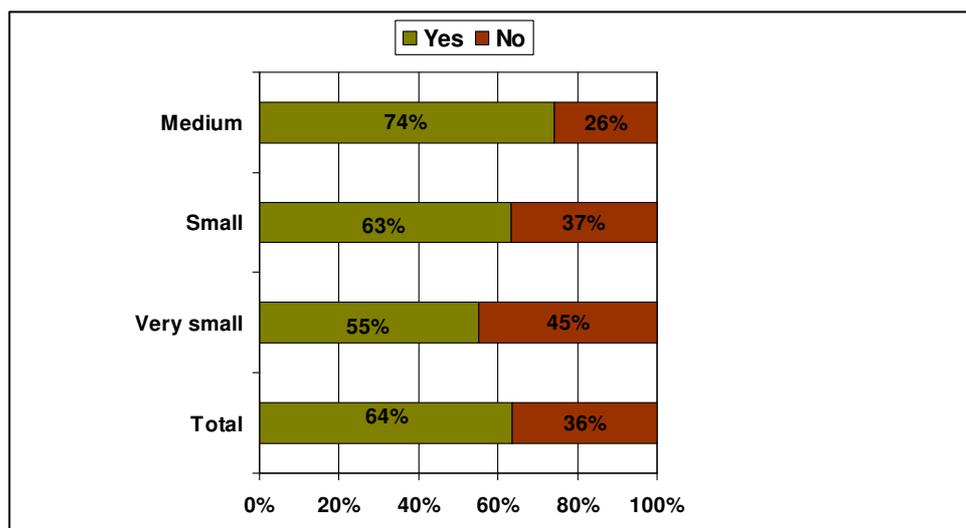
Table 4: Triggers to giving (all respondents that gave)

How giving was triggered	Total n=659	Medium n=185	Small n=243	Very small n=231
Approached by organisation	52.0%	58.9%	51.9%	46.8%
Been doing for some time	16.6%	17.3%	16.0%	16.9%
Wanted to do something & looked	16.2%	15.1%	18.5%	14.7%
Asked by someone in company	5.1%	0.5%	7.8%	6.1%
Asked by family member	4.8%	2.7%	3.7%	7.8%
Set aside a budget	3.6%	3.2%	4.1%	3.5%
Something in news/media	2.8%	1.6%	4.1%	2.6%

Tracking and follow up

The effect or impact of social giving on the beneficiaries is of perennial interest in Philanthropy and CSI sectors yet an area that is difficult to monitor or assess and one that tends to receive much less attention than warranted. While measuring the impact of SME giving was beyond the scope of this survey, we were interested to determine whether SMEs did any kind of follow up or inquiry in order to ascertain the difference their contribution made to the lives of the beneficiary. Graph 5 reveals the incidence of tracking by business size and shows that a significant proportion of the respondents (36%) do not take steps to follow up on the results of their giving. The data however shows a clear pattern of the incidence of tracking increasing with business size, but even in medium businesses, just over a quarter do not track their giving.

Graph 5: Incidence of tracking (all respondents that gave)



SME respondents that did not follow up or track their giving have reasons for not doing so. A large percentage trust the beneficiaries; that is have confidence in them (39%), another group simply don't have the time to follow up (24%); some automatically get reports from beneficiaries (14%), and another groups expect the recipients to "take care of it" themselves (9%).

Record keeping

Continuing along the line of inquiry into how SMEs manage their giving the respondents that gave were asked whether the firms keep any record of their giving behaviour and if so for what purpose. The findings reveal that record keeping is more common than tracking as 82% of respondents do record what they have given. As with tracking, a similar pattern emerges in which the larger the business, the more likely they are to keep records. In this case, 86% of medium businesses compared to 76% of very small firms keep records.

The data in Table 5 shows that SMEs tend to keep records of their giving primarily for financial purposes. 71% of respondents do so simply for bookkeeping purposes. Another 8% do so for tax return purposes. In addition some respondents made reference to use of records in communication, such as company reports (13%). Less cited reasons include staff feedback (11%), BEE scores (2%) and public relations "being known as a good business" cited by another 2%.

Table 5: Purposes for which records are used (all respondents that gave)

Purposes for which records are used (n=539 or 81.7% who do keep records)	%
Internally, for bookkeeping	71%
Externally for company report	13%
Internally for staff feedback	11%
Externally for tax returns	8%
Externally for BEE Scores	2%

To be known as a good business	2%
Do not make any use of records	2%
To give the community feedback	1.3%

SME perceptions of their giving

A central question remains, what is the role of business? Is it to make a profit or does business have a broader role that includes a responsibility to society and the environment, as captured in the notion of the triple bottom line, underpinning the King II Report governing corporate citizenship in South Africa. With this in mind a key objective of the study was to ascertain whether SMEs feel that businesses such as theirs have a responsibility to give and to make a positive difference in the community at large. To do so we asked SMEs if they feel their business is helping others. The majority of SMEs believe that their contributions do help others, making a positive difference in the lives of their beneficiaries. SMEs have a strong sense of the important role they are playing.

The impact of giving

The majority (85%) of SMEs who are giving clearly feel that what they are doing has made a positive difference. This sentiment remains consistent across business size with 90% of medium business, 85% of small business and 82% of very small business respondents citing that their giving had a positive effect on the beneficiaries. Further analysis reveals that businesses who gave and tracked the results of their activities are significantly more likely (92%) to believe that they are making a positive difference in the lives of their beneficiaries.

The SME role in helping others

The majority of SMEs who gave tend to have a strong sense of the important role they are playing. 84% of these respondents felt that they are making a positive difference in the lives of beneficiaries. Only 16% of respondents believe that their activities are not particularly significant. Responses did not differ significantly across different business types.

As seen in Table 6 below, the respondents that believe they are playing a significant role generally claim that this is because they know that what they gave is needed (21.1%), they are helping others (20%), and they see the benefits (18.7%). These sentiments appear to reflect the finding that SME businesses tend to donate to recipients living close to them providing a level of immediacy, as well as high affinity and proximity to the giving.

Table 6: Reasons for feeling their activities play a significant role (all respondents that gave)

Reasons for feeling that they play a significant role	Total n=795	Medium n=216	Small n=297	Very small n=282
We gave something needed	21.1%	24.1%	19.9%	20.2%
We are helping others	20.0%	19.0%	20.5%	20.2%
We see the benefits	18.7%	20.8%	18.2%	17.7%
Don't do much - every bit helps	9.9%	8.3%	9.8%	11.3%

They told us it made a difference	9.9%	13.4%	7.4%	9.9%
Would like to do more	7.8%	5.6%	8.1%	9.2%
People depend on us	7.4%	4.6%	8.8%	8.2%
More are employed	5.0%	4.2%	7.4%	3.2%

SMEs who feel they are not playing a significant role primarily state that this is because they are not in a financial position to help (58.8%), and/or have not done anything in some time (26.3%). A small group are pessimistic regarding the impact of the little they are able to give (11.4%). See Table 7 below.

Table 7: Reasons for feeling their activities do not play a significant role (all respondents that gave)

Reasons for feeling that they do not play a significant role	Total n=114	Medium n=29	Small n=34	Very small n=51
We are not in a financial position to help	58.8%	51.7%	58.8%	48.5%
We have not done anything for a while	26.3%	41.4%	29.4%	12.1%
We cannot do much/a drop in an ocean	11.4%	6.9%	2.9%	15.2%
We do not see any difference	3.5%	0.0%	8.8%	1.5%

Profitability

Given our focus on social investment, a key issue to ascertain was the degree of profitability of SMEs participating in the study and the impact this would have on giving behaviour. Table 8 below reveals that very small businesses were more likely to be struggling in terms of not being profitable (10.8%) or breaking even (28.9%) than small or medium businesses, with the consequences that fewer were making a profit (49.8%). Of the total sample 57% of SMEs indicated that they were making a profit at the time of the survey.

Table 8: Profitability of Businesses (all respondents)

Which of the following best describes your profitability at the moment?	Total n=821	Medium n=223	Small n=293	Very small n=305
Not profitable at the moment	7.6%	4.5%	6.8%	10.8%
Breaking even	24.3%	20.6%	21.8%	28.9%
Making a profit	56.9%	63.2%	59.7%	49.8%
Refused	10.3%	10.8%	11.3%	9.2%
Not answered/interviewer error	0.8%	0.9%	0.3%	1.3%

Further analysis into the relationship between profitability and SME giving revealed a rather predictable trend or pattern of giving being linked to profitability and availability of financial resources. In short, businesses describing themselves as profitable are more likely to have given (91%) than those who are breaking even or are not profitable and financial constraint is the key barrier to giving and is cited by 44% of those surveyed who have not given in the last year.

However, less expected is the finding that SMEs give even when they are not profitable. 74% of those who are breaking even and 48% of those who are not profitable report having given in the last year. These are significant proportions and speak to the finding that giving behaviour is based largely on a sense of responsibility or obligation to give back to the community. While respondents were forthcoming about their profitability status they were less so in relation to questions concerning their annual turn over. We were interested in this information in relation to legislation related to Broad-based Black Economic Empowerment.

Broad-based Black Economic Empowerment

The Broad-based Black Economic Empowerment Act, legislated in 2004, mandated the Department of Trade and Industry to develop a set of BEE Codes of Good Practice and a Scorecard. The aim of which was to provide guidance to various industry sectors in terms of their own industry sector transformation charters and to prescribe BEE transformation measures for companies wishing to do business with government.

We were interested to explore SME responses to the BEE legislative environment. Although the BEE Codes of Good Practice (Codes) and Scorecard were gazetted in February 2007, draft Codes had been in the public domain from November 2005 and included CSI as one of the residual elements in the Scorecard (replaced with a 'socio-economic development' element in the Codes gazetted in February 2007).

At the time of the survey 50% of SMEs could be considered as being responsive to BEE, with 25% indicating that they were actively working on a BEE solution. Not surprisingly 36% of very small businesses considered themselves too small to be concerned about BEE. Overall a fairly consistent and small percentage of businesses indicated a lack of concern with BEE at that juncture.

Table 9: Businesses' Response to BEE

Which of the following statements best describes your business best?	Total n=805	Medium n=219	Small n=286	Very small n=300
Too small to be concerned about BEE	23.1%	6.8%	21.7%	36.3%
Not concerned with BEE at this stage	9.5%	8.7%	9.4%	10.3%
Still working on a BEE solution	24.6%	32.9%	26.2%	17.0%
Completely owned by previously disadvantaged individuals	13.7%	12.8%	11.9%	16.3%
Partly owned by previously disadvantaged individuals	11.4%	16.9%	9.8%	8.7%
Other	16.0%	19.2%	19.6%	10.3%

None of the above	.4%	.5%	.3%	.3%
We are on a BEE register	.1%	.5%	.0%	.0%
Not answered/interviewer error	1.1%	1.8%	1.0%	.7%

The issue of size in relation to BEE is important. With respect to SMEs, those with an annual turn-over between R5 million and R35 million are eligible as qualifying small enterprises (QSEs) and are measured according to the BEE QSE Scorecard. As indicated, respondents were not forthcoming in relation to questions concerning their annual turn over and 60% of respondents refused to answer this question. Of the 40% that provided this information 23% of these businesses had an annual turn-over between R5 million to R35 million and thus qualified as QSEs. However, even companies that do not qualify and do not deal directly with government are likely to feel the need to comply because of pressures exerted throughout corporate value chains.

Qualitative Findings

The survey surfaced two key issues calling for further interrogation. First is the relationship of SME giving to profitability and second is the identity of the giver. This understanding is critical to the development of an analysis of the conditions that promote or constrain SME giving and inform decision making. Qualitative interviews with key informants probed these issues and more generally confirmed survey data. For example, in addition to patterns related to profitability and identity of the giver, interviews provided texture that illustrates regular frequency of giving (every two to three months) and a relationship with the cause or recipient of giving.

Profitability

What is the relationship between SME giving and business profitability? Interviews suggest that profitability is a critical variable informing not the decision to give but rather the frequency and amount given. In the words of one informant:

Yes absolutely, we would give more when things in the business are doing well and when sales are down on our side we just do the necessities.

This point is elaborated by others.

Yes, I am inclined to give more if it's going well.

I always give, even if it is less, but I always give.

Cash flow determines what we can give and what we cannot give.

We're not at the point where we have a budget for that [setting a percentage aside for giving] We have a look at where we are at and what our finances look like and then we'll decide to give R1,000 or R5,000 or whatever.

An apparent antipathy in some cases to monetary contribution as well as giving habits that favour in-kind contributions offer a caution to over stating the dominance

of profitability in determining the frequency and amount of giving. To illustrate some businesses will not give money.

I am also concerned not knowing how the money is applied. They never come and tell you. ... So I do not give money, I offer work, education and try to make the local community feel involved.

For others there is a “more than money” approach as cash donations, cheques and sponsorships are not the only form of giving, rather in-kind contributions of time, labour, goods and advice, often related to core business are apparent and not uncommon. Stated simply by a tool manufacturer, “we’ll donate tools as a prize” Other stories from an eye clinic and an abattoir, respectively are more revealing

Yes, there is an Eye Care Week in South Africa. It is always the second week of October. During that week we stop all routine work and we only do emergency cases and then we divide up the doctors and operate from Monday to Friday on only the previously disadvantaged patients.... We committed ourselves. I think last year’s operations cost over R5 million. It is unbelievable. Yes, there’s a big factor of giving and if you think that for a whole week the doctors and the staff ... it’s a huge sacrifice for doctors. An anaesthesiologist, who actually has nothing to do with the project, also works for free. I think it’s a big sacrifice.

They are asking for meat rather than financial donations etc. We have three or four regular small registered welfare units that will pick up 20/25 kg of meat products, be it chicken or lamb or pork , whatever on a monthly basis and then on an ad hoc basis, if we get a request and we feel its needy, the two of us will sit together and say, okay, this month we’ll give this one a box of this and that one a box of that. Let’s say we donate them 20 kilograms of stewing meat for the value of R600/700. Now if we gave them R600/R700 cash they end up buying 8 kilograms of meat, because of retail prices, so we’d rather do it through kind and then we know.

Identity of the Giver

Is the decision to give informed by a business point of view or a personal perspective? Interviews explored whether the conscience and values behind a giving decision are reflective of the individual or the business. While unreasonable to expect a clear cut and conclusive answer, deeper insight emerged.

One line of questioning explored the business benefit of giving. When asked, do you think a business benefits at all by giving one informant gave a firm “no” and another said “We gain absolutely nothing”. The stories below elaborate this position.

Oh absolutely not, there’s no gain from that [giving to orphanages] apart from the fact that I know in my heart that it’s what I want to do. I’ve been doing that for so many years, so it’s not been a gain to the company at all.

It’s purely and simply we haven’t a branded product. You can’t brand meat. I think the only benefit that we get is that feeling of satisfaction that somebody’s going to have a little meat tonight. There is no value in who we give to in terms of any credits or extra profitability, nothing.

.....[a major retailer] does huge corporate events and one of them was with a bunch of black lady farmers down in the Vereeniging area. [A major retailer] agreed to donate 10 heifers. They had to be a specific breed, being a limousine... and the agreement was that [a major retailer] would take over all the weaners and we have a very, very close relationship with [a major retailer] and they asked us to identify the cattle – good breeding stock and we agreed to donate a limousine bull to this lady and her project. There could potentially be a commercial gain for us because of us supplying a [major retailer] sponsored company, but the way we looked at it, a heifer without a bull is a problem... [A major retailer] is one of our very big customers and the relationship we have with them is purely and simply, if we're the cheapest in the market tomorrow we get the business, if we're more expensive we don't get the business. There's no gain or whatever.

These stories support the finding that SME giving is not a deliberate strategy to raise company profile or enhance business. What then motivates SMEs to give and what informs their decision?

Interviews indicate that SME giving is partly about exercising a set of public and individual values and principles. There appears to be a genuine and serious effort to address the needs of the poor and disadvantaged and contribute to the community. A “a moral compass” indicates that giving is the “right thing to do”. This finding supports the national survey on Social Giving (Everatt et. al, 2008) that presents South Africa as a nation of givers with people donating money, goods or time to those living in poverty and or the organisations working with them. In the words of two interviewees:

No, we're giving because we want to. I mean, we all, the directors have all lived here for many, many years. They're all very much involved with the community and we cultivated a tradition to be able to give. It's our personal feeling and that is what we are doing.

If you think of it, giving is something that once you start, you cannot stop. You have committed yourself. Imaging what will happen to them if we all stop. So what I am saying, one takes on a huge responsibility, and you should look after it and most definitely commit to it.

The case of another business elaborates further on public values.

That's why I'll never become rich, because, I'm always there for the underdog and I'm fighting for nothing. And guys [businessmen] have said to me straight: 'As long as there are people like you doing it, I'm not going to get involved and waste my time because I've got a business to run'. I've got a business to run myself, but I still do that. Unfortunately, if more people are like that, the world will be a very sad place and there are people who cannot fight for themselves who either doesn't have the education or the inclination, or they don't know what the right side is, and you have to go and sort them out.

Personal values and ethics emerge as a variable that cannot be overlooked in understanding SME decision making. Uncovering this finding is perhaps a major contribution of this study and goes some way to explain and account for why businesses decide to give even when they are not profitable. From a business perspective this behaviour does not make sense. This point of view underpins the popular perception that SMEs do not give, being too busy surviving and trying to

make a profit as well as paying staff and suppliers. They simply do not have the time or resources to contribute to community assistance. The study offers evidence to the contrary.

Black Economic Empowerment

Inquiry into profitability and identify surfaced the significance of Black Economic Empowerment (BEE) legislation on SMEs. And, perhaps, is indicative of the fact that the BEE Codes had been legislated since early in 2007 with interviews occurring some thirteen months later. The interviews offer two story lines, the first relates to obligation and compliance within regulatory frameworks and the second relates to voluntary adherence to the principle of upliftment.

One set of interviews contextualises giving in relation to the BEE Scorecard:

“I get points on my BEE Scorecard”

We don't give routinely. We give to who ever happens to ask. “It is part of the BEE story. We give whatever that percentage is or as close to it as we can get.

And with BEE we put in more because we needed points and there was a chance to give large amounts of money and we had to spend R 30,000 a year just to get our points.

A second set of interviews speak to the rationale of assisting the previously disadvantaged that underpins BEE.

My feeling has always been that we have to assist the community and nowadays it has become a necessity to give. I've got no problem with that.

Well the problem with donating to BEE, I mean, we generally do donate to BEE. I mean, that's typically a large portion of the companies that need help are BEE, like Child Welfare, It's mostly BEE children you are helping.

I put a lot of energy into what I do and for whom I do what. I work with what I know. I have been BEE for two years and I've always been dedicated to upliftment programmes in my area even before BEE came into effect.

An important insight also surfaced with reference to the pre-BEE period characterised by more voluntary forms of giving compared with BEE legislation and implementation of the BEE Codes in which giving is characterised as more of an obligation. The following story illustrates the notion of “have to give” and “want to give”.

We have started with that but we don't have a proper budget in place yet. Up to now we've just been giving and at the end of the year we see what we've done. I'm trying to get people to work out a budget so that the manager can manage and know how their input will affect the company. And the largest part of that is the must side has to be paid to BEE. So this is how much we can pay to get those points. We will give much more as our profits increase. So it's been in the last 18 months where we've had to give, but we give where we want to give.

Further research will be required to track the impact of BEE legislation on the giving patterns among SMEs, particularly in light of the Code's socio-economic development (SED) (Code 700) which focuses on facilitating sustainable access to the economy for beneficiaries, a significant shift away from a more traditional CSI focus. And secondly, in light of the reduced weighting of Code 700 (from 10 points to 5 points out of 100) for which companies are eligible if their qualifying contributions to SED amount to 1% of net profit after tax (Triologue, 2007:19).

Conclusion

This study contributes to expanded knowledge on company philanthropy in South Africa and places SMEs on the social giving landscape with an estimated cash contribution in excess of R436 million annually. Arguably, the most important finding of the study is confirmation that SMEs do take the time and resources to give. This new evidence replaces the popular perception that SMEs are too busy surviving to give, bringing to the surface the importance and influence of personal values in SME decision making, along side profitability. The finding that SMEs are guided by a moral compass that says "giving is the right thing to do" is important and significant in understanding and analyzing what motivates and informs giving in the SME sector. The SME giving pattern is for the most part altruistic exhibiting characteristics of charity with minimal concern for a return to the business. The London Benchmarking Group's definition of charity is a useful reference point "[c]harity is the intermittent support to a number of good causes in response to the needs and appeals of charitable and community organisations, increasingly through partnership between the company, its employees, customers and suppliers".

The finding that SMEs give to the community with some frequency and quantum is important, yet at the same time disconcerting. Despite a positive analysis, is it desirable that resources are used this way. Is the SME approach to giving, largely unplanned and in response to an "ask" or approach, the best way to employ resources? Findings indicate that SME giving has a charitable nature guided by short term alleviation of need or adversity rather than developmental and concerned with the longer term. This distinction draws attention to the question of social impact and surfaces two likely perspectives. First, critics could argue that SME giving is a waste of money and other resources. In its present form it should not be encouraged. Preference is given to education, awareness raising and greater technical proficiency to steer SME giving toward a stronger developmental thrust. This line of thinking has much in common with the school of thinking within corporate social investment that advocates for professionalism and away from "whim", "hunch" and "intuition". However, another possibility exists. Those not so quick to dismiss SME giving observe a more serious and measurable effort to do something about the immediate welfare and wellbeing of the poor and perceive an impact and difference in peoples lives who receive SME assistance. This perspective could also carry with it a broader view on development, appreciating that in a context of increasing poverty and inequality, such as in South Africa, helping those in need to maintain their position is, in effect, movement or developmental as they avoid slipping further into poverty and adversity.

The inquiry into the nature and quantum of giving by SMEs is a young and emergent field. Much more needs to be known about this segment of business giving to gain a greater depth of understanding, as well as breadth in relation to others on the social giving spectrum, in response to the wider context of intervention and response to poverty reduction and social change in South Africa.

ANNEXURE 1

Department of Trade and Industry definitions for SME size according to number of employees

		Medium	Small	Very small
Size (employees)	Agriculture, Community, Social and Personal Services, Finance and Business Services, Retail and Motor Trade and Repair Services, Transport, Storage and Communications, Wholesale Trade, Commercial Agents and Allied Services	<100	<50	<10
Size (employees)	Catering Accommodation and other Trades, Construction, Electricity, Gas and Water, Manufacturing, Mining and Quarrying	<200	<50	<20

Department of Trade and Industry

ANNEXURE 2

Table 1: Sample Frame

Quantitative Sample by Province		Business size				
		Very small	Small	Medium	Not answered/ Interviewer error	Total
Gauteng	Count	32	34	27	1	94
	Row %	34.0%	36.2%	28.7%	1.1%	100.0%
	Column %	10.5%	11.6%	12.1%	33.3%	11.4%
	% of Total	3.9%	4.1%	3.3%	.1%	11.4%
Mpumalanga	Count	30	31	15		76
	Row %	39.5%	40.8%	19.7%	.0%	100.0%
	Column %	9.8%	10.6%	6.7%	.0%	9.2%
	% of Total	3.6%	3.8%	1.8%	.0%	9.2%
North West	Count	23	32	18	1	74
	Row %	31.1%	43.2%	24.3%	1.4%	100.0%
	Column %	7.5%	10.9%	8.1%	33.3%	9.0%
	% of Total	2.8%	3.9%	2.2%	.1%	9.0%
Free State	Count	31	34	30		95
	Row %	32.6%	35.8%	31.6%	.0%	100.0%
	Column %	10.2%	11.6%	13.5%	.0%	11.5%
	% of Total	3.8%	4.1%	3.6%	.0%	11.5%
Kwa-Zulu Natal	Count	35	30	34		99
	Row %	35.4%	30.3%	34.3%	.0%	100.0%
	Column %	11.5%	10.2%	15.2%	.0%	12.0%
	% of Total	4.2%	3.6%	4.1%	.0%	12.0%
Eastern Cape	Count	37	32	28		97
	Row %	38.1%	33.0%	28.9%	.0%	100.0%
	Column %	12.1%	10.9%	12.6%	.0%	11.8%
	% of Total	4.5%	3.9%	3.4%	.0%	11.8%
Western Cape	Count	41	42	41		124
	Row %	33.1%	33.9%	33.1%	.0%	100.0%
	Column %	13.4%	14.3%	18.4%	.0%	15.0%
	% of Total	5.0%	5.1%	5.0%	.0%	15.0%
Limpopo	Count	42	31	24		97
	Row %	43.3%	32.0%	24.7%	.0%	100.0%
	Column %	13.8%	10.6%	10.8%	.0%	11.8%
	% of Total	5.1%	3.8%	2.9%	.0%	11.8%
Northern Cape	Count	34	27	6		67
	Row %	50.7%	40.3%	9.0%	.0%	100.0%
	Column %	11.1%	9.2%	2.7%	.0%	8.1%
	% of Total	4.1%	3.3%	.7%	.0%	8.1%
Not answered/ Interviewer error	Count				1	1
	Row %	.0%	.0%	.0%	100.0%	100.0%
	Column %	.0%	.0%	.0%	33.3%	.1%
	% of Total	.0%	.0%	.0%	.1%	.1%
Total	Count	305	293	223	3	824
	Row %	37.0%	35.6%	27.1%	.4%	100.0%
	Column %	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	37.0%	35.6%	27.1%	.4%	100.0%

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