

CSI in South Africa



*Examining CSI Strategy, Practice, and Attitudes with a
Focus on Social Enterprise and Blended Value*

Andrew Hillis

April 20th – June 19th 2009

TABLE OF CONTENTS

Acknowledgements	2
Executive Summary	2
Introduction to the Project	4
Goals.....	4
Key Issues	4
Method	5
Data Sources	6
Limitations and Potential Sources of Bias	7
Results and Conclusions	8
CSI Objectives	8
CSI Strategy.....	10
CSI Terms.....	16
Social Enterprise	18
Blended Value and Enterprise Development	20
Impact Analysis.....	23
Venture and Engaged Philanthropy	25
Sector Trends, Strengths, and Weaknesses.....	26
Appendices	30
Appendix I. Resources.....	30
Appendix II. Survey Materials	31
Appendix III. Interview Materials	37
Appendix IV. About the Author.....	38



ACKNOWLEDGEMENTS

Several individuals enabled this research. Many thanks are due to the unceasingly friendly people at Heart. Peter Shrimpton and Izak van Zyl were especially helpful in guiding and giving advice for the project. Moya Wolff kindly assisted in identifying and contacting research participants; her patience in waiting for the fruits of the research is also appreciated. All of my co-workers were extremely supportive, providing useful tips about business in South Africa and a family away from home.

A hearty thanks as well go to all of the participants in the survey and particularly in the interviews. Generous with their time and insights, they have represented the CSI sector well. Appendix IIA includes a list of all companies that participated in the survey and interviews.

I would also like to thank Nicholas Rocky and Gill Siebert at Trialogue for their generosity in sharing their insights and experience in the field. Trialogue's *CSI Handbook* provided an unparalleled look into the CSI space and a useful example of high-quality research.

EXECUTIVE SUMMARY

THE PROJECT

The project aimed to:

1. Identify attitudes and practices among leading CSI officers in South Africa surrounding CSI objectives, CSI strategy, and major philanthropy models, particularly social enterprise and blended value
2. Assess the market for Heart's Blended Value Proposition Funds among CSI officers

The research included an online survey of 41 CSI officers, drawn from a pool of the 175 largest CSI budgets. Thirteen phone interviews were also conducted, lasting an average of 25 minutes each.

RESULTS AND CONCLUSIONS

The research covered the following topics; results are summarized here:

CSI Objectives: All CSI officers reported the objective of creating social change and most indicated that building their corporate reputation is also an objective. Some companies view CSI as tightly aligned with their other business strategies, using it to attract employees, enhance investor relations, and improve their financial bottom line.

CSI Strategy: A variety of structures are used to implement CSI objectives; the most common structures are a separate department within the company and a foundation. A majority of CSI officers prefer a high-level of engagement with their investments, executed over long-term relationships with partners. Many of the investment decisions are perception-driven, depending



upon what will build a company's reputation and which needs are perceived to be the most pressing.

CSI Terms: Terms in widespread use in the CSI field include: corporate social responsibility, sustainability, socio-economic development, monitoring and evaluation, social entrepreneurship, social enterprise, and triple bottom line. Less common terms recognized are strategic philanthropy, engaged philanthropy, venture philanthropy, and blended value.

Social Enterprise: A majority of participants think social enterprise is an effective approach to CSI, but a minority of them manage CSI programs that include social enterprises. Many cite a lack of capacity on the NGO side in explaining deficiency.

Blended Value and Enterprise Development: CSI officers are generally indifferent to financial returns, focusing solely on social impact. There is a small, but growing, proportion of programs that integrate their CSI and ED initiatives.

Impact Analysis: There is a lot of demand for impact analysis in the sector, but very little formal and rigorous reporting, mostly due to a lack of efficient methods.

Venture and Engaged Philanthropy: All participants think engaged philanthropy is effective; a smaller proportion think venture philanthropy is effective.

Sector Trends, Strengths, and Weaknesses: The CSI field has become increasingly strategic in its approach to investments. Participants view the sector's diversity and ability to draw from company-specific resources as its major strengths. Its lack of accountability for results, collaboration, stability, and capacity were identified as the major weaknesses.



INTRODUCTION TO THE PROJECT

Goals

Heart initiated this research project to provide an independent assessment of the market among corporate social investment (CSI) programs for their new Blended Value Proposition Funds. Given the effort required to create a reliable look into the CSI landscape, I expanded the project to include an additional focus on broader trends and attitudes in the CSI sector.

The research aimed:

- To identify attitudes and practices among leading CSI officers in South Africa surrounding CSI objectives, CSI strategy, and major philanthropy models, particularly social enterprise and blended value.
- To provide CSI officers with a benchmark of their CSI practices
- To give Heart an objective look into the market for Blended Value Proposition Funds

Key Issues

The research examined the intersection of corporate social investment in South Africa with recent trends in philanthropy. The following section provides a brief overview of the major concepts and key issues at this intersection.

Corporate Social Investment

Since South Africa launched the Broad-Based Black Economic Empowerment (BBEEE) Act, companies have faced increased incentives to deploy corporate social investment—outlays targeted towards social development. As part of the socio-economic development (SED) section of the BBEEE scorecard, CSI gives companies a proportion of the points necessary to score well.

The codes have stimulated significant growth in the CSI sector. Although a small (1.4%) fraction of government outlays on social development, CSI has grown considerably, reaching R4.1 Billion in the 2007-2008 fiscal year.¹

Added to a wave of dissatisfaction with the historical results of corporate social investment, the growth of the CSI field prompts interesting questions about its direction and proper scope. Two key questions include:

- What are—and what should be—companies' objectives in deploying CSI?
- What are—and what should be—companies' strategies to achieve those objectives?

Social Entrepreneurship

¹Figure courtesy of: *The CSI Handbook: 11th edition* published by Trialogue in South Africa, 2008. To purchase a copy of the handbook, visit: <http://www.trialogue.co.za/pub-csi.html>



Alongside disappointment with many traditional charitable activities, several efforts have emerged to improve their impact. Over the last decade, increasingly strategic efforts to solve social and environmental problems have surfaced. Such efforts fall under terms like “strategic philanthropy,” “engaged philanthropy,” and “venture philanthropy.”

One approach, known as “social entrepreneurship,” seeks to leverage the discipline, innovation, and attention to impact demanded in the business world to create value for parts of society the market has traditionally failed. Social enterprises, from feeding schemes to skills development workshops, emphasize the social and environmental value they create, as well as the financial returns brought through the business model. As a way to improve impact in philanthropic endeavors, social enterprise may prove to be an effective model for CSI initiatives. Key questions include:

- How, if at all, are companies using social enterprise in their CSI efforts?
- What are the advantages and disadvantages of using social enterprise in CSI initiatives?

Blended Value

Social enterprises create “blended value,” a mix of financial, environmental, and social return on investment. Jed Emerson, a fellow at Oxford’s Saïd Business School, coined the term a few years ago, describing what he saw as the intrinsic blend of social, environmental, and financial value created in any economic endeavor. Because social enterprises emphasize the social and environmental value created over—but not excluding—their financial value, they have the potential to enhance the social value created by businesses.

Heart has recently launched a suite of Blended Value Proposition Funds. Allowing investors to realize a blend of social, environmental, and financial return, these funds invest in social enterprises identified by Heart. If social enterprise is an effective approach to social development, Blended Value Proposition Funds could be an innovative way to finance those enterprises. Key questions include:

- How open are companies to the concept of Blended Value?
- Would investing in Blended Value Proposition Funds be an effective use of CSI?

Method

As a preliminary step to answering those key questions, the research focused on providing insights into where the CSI field stands today. The process included secondary research, an online survey, and telephone interviews with leading CSI officers.

Secondary Research

The secondary research included a literature review of social entrepreneurship and blended value, a close reading of Trialogue’s *CSI Handbook* (11th edition), and a look at leading CSI



program and consultancy websites. I then identified several trends and issues to examine in the research alongside questions about social entrepreneurship and blended value. These areas included CSI objectives, CSI strategy, impact measurement, monitoring & evaluation, and attitudes about recent ideas in philanthropy.

The Online Survey

To produce a quantitative, comprehensive, and relatively unbiased view of the field, I developed an online survey. After crafting the survey following my research on best practices, I launched the survey via email in two waves, following up each time with a reminder email to non-respondents. A total of 41 surveys were completed. The median time to complete the survey was between 10 and 15 minutes.

For more information about the survey, please see Appendix II.

Interviews

I conducted thirteen interviews with CSI managers and other practitioners to supplement the quantitative insight provided in the survey with a more in-depth, qualitative, and less structured perspective on the field. Interviews lasted an average of 25 minutes over the phone. I asked participants about their companies' CSI objectives and strategy, and their thoughts about social enterprise, blended value, and sector-wide trends. If they had completed the survey, participants were also asked follow-up questions.

For more information about the interviews, please see Appendix III.

Data Sources

The research targeted companies with the largest CSI budgets, as their resources and strategies likely have the most social impact.

Contacts Database

In the course of my secondary research, I identified the one-hundred largest CSI programs (by budget). To this list, I added another 75 programs, chosen either for their inclusion in *Dialogue's CSI Handbook* or the availability of their contact information in the *Donor Directory for Development* produced by the City of Cape Town. With the help of Moya Wolff, I created a database of CSI or foundation managers at these 175 companies.

The Survey

All contacts were sent a personalized email invitation to participate in the online survey. After follow-up phone calls and email reminders, a total of forty-one individuals completed the survey.

The Interviews



In conducting the interviews, I targeted the companies with the largest CSI budgets while also trying to speak with a cross-section of company sectors and CSI program structures. I also spoke with practitioners in CSI consulting companies. I conducted thirteen interviews.

For lists of survey and interview participants, please see Appendices IIA and IIIB.

Limitations and Potential Sources of Bias

As a relatively informal look into the field, the research confronts the following limitations:

- **Limited Audience**—While I received input from a total of 45 participants, the CSI field includes hundreds of programs excluded in this research.
- **Narrow Focus**—To secure participation, I had to narrow the focus of my research to a narrow set of issues, inevitably excluding significant trends.
- **Program Details**—Given time constraints, I could only devote so much time to understanding each company's CSI practice. Many details behind CSI programs are absent from this report.

Given the constraints of time and money in the study, several sources of potential bias exist, including:

- **Convenience Sampling**—although the research aimed to survey the top one-hundred budgets (which were included), the other programs were included based upon convenience (the availability of their contact information), and do not represent a randomized selection.
- **Voluntary Sampling**—all participants participated voluntarily, receiving no financial benefit in return. CSI officers who were not willing to participate may have answered the questions in a systematically different way than those who were willing.
- **Dishonesty**—some participants may have misrepresented their program's practices or their attitudes.
- **Question Wording**—Unclear, overly simplified, or leading survey and interview questions can create unreliable responses.



RESULTS AND CONCLUSIONS

The next sections present results from the survey and interviews, organized around the following topics:

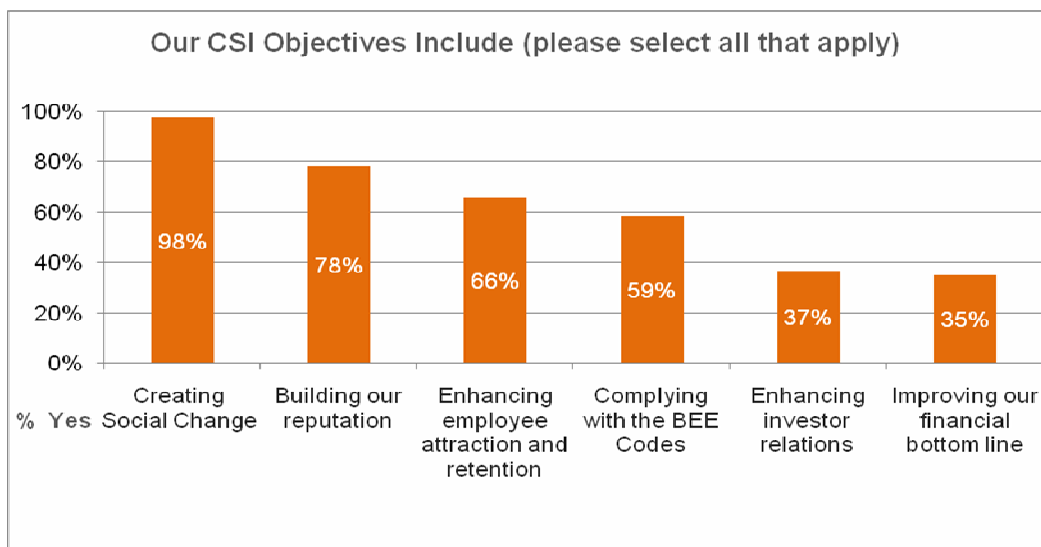
- CSI Objectives
- CSI Strategy
- CSI Terms
- Social Enterprise
- Blended Value and Enterprise Development
- Impact Analysis
- Venture and Engaged Philanthropy
- Sector Trends, Strengths, and Weaknesses

Each section includes graphs displaying the survey results, a list of quotes from answers to relevant interview questions organized by topic, and major conclusions.

CSI Objectives

Survey Results

With 98% of respondents choosing “creating social change” as one of their CSI objectives, that goal remains at the forefront of the field. Companies have also used CSI in line with other business objectives. Over three-fourths of respondents indicated that they use CSI to enhance their companies’ reputation. Greater than half of the companies also deploy CSI to attract and retain employees, as well as comply with the BEE codes. Although a minority, around one-third of respondents see CSI as a way to enhance relations with investors and improve their financial bottom line.



Interview Results

At the beginning of the interview, I asked participants to briefly describe the objectives behind their CSI programs. Responses varied considerably. Around one half of the respondents indicated that contributing to social development is their sole consideration. Others said that tying their CSI to their business strategies is of the utmost importance, while an equal proportion talked about achieving social development and contributing to other business objectives. The responses are organized according to these three groups of respondents.

One practitioner noted that the objectives behind CSI programs often depend upon the CSI manager and the structure of the program within the company. The biggest corporations tend to see CSI as part of their business strategies, although some continue to view it as a separate, completely charitable activity.

Another practitioner commented that the BBBEE codes underlie much of the recent increase in CSI among medium-sized companies, but have actually proven to be a hindrance to larger companies who would engage in CSI without the codes. Another respondent explained that many companies turn to CSI simply to get their “BEE brownie points.”

Interview Quotes: Responses Focused Primarily on Other Business Objectives

- We use CSI to increasing the social relevance of our organization to give it a social license to operate in our communities. It also helps us improve relationships with influential stakeholders, particularly the legislature. It increases employee loyalty.
- We focus on areas where we have a vested interest and can combat risk. It is all about integrating it into our business proposition.
- It's about supporting our core business.

Interview Quotes: Responses Focused Primarily on Social Development

- We use it to test policy approaches to education and housing and then pass it on to, or partner with, government to scale. But CSI is only part of the company's larger CSI initiatives, which include assistance with bursaries and a minor grant program, for example.
- We invest in empowering people. We are not interested in donations.
- Our goal is to uplift South African communities in general, but particularly in the communities around our operations. Our PR works on the reputation side, not in CSI.
- We ask “is this good for sustainable development?” not “is this good for the company?”.

Interview Quotes: Responses Focusing on Both Other Business Objectives and Social Development



- We see it as a broader part of our corporate social responsibility: adding to GDP, governing well, and giving back. CSI is attached to our company strategy.
- Building our reputation is a benefit, but not a conscious driver of the program.
- CSI at big companies is about triple bottom line reporting. They are the ones beginning to see CSI as a business-driven initiative.

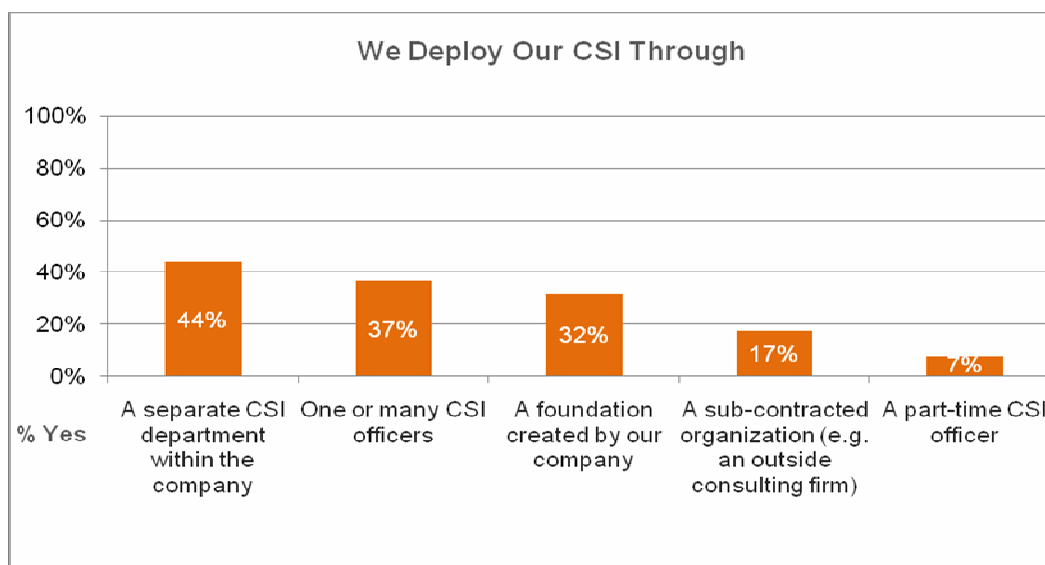
Major Conclusions

The objectives behind CSI programs vary considerably. While most companies use CSI to promote social development, some see that goal as the main driver behind their programs, while others focus on how CSI can contribute to their business through enhancing their reputation and even adding to their financial bottom line. With some exceptions, larger programs tend to take the latter approach, crafting their CSI in a way that serves their other business interests.

CSI Strategy

Survey Results

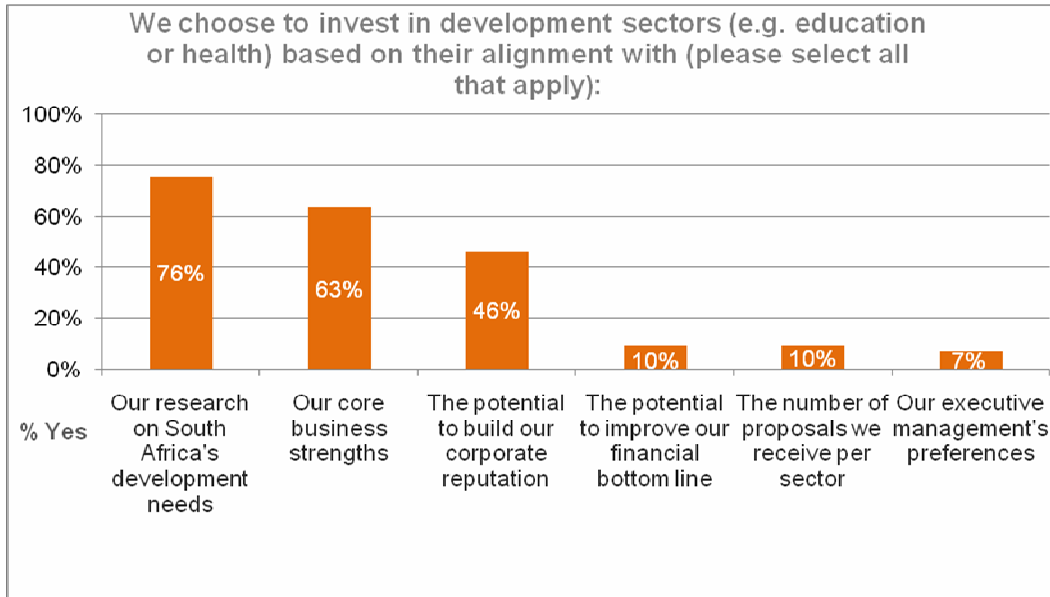
Three survey questions gauged CSI strategies. The first examined how companies structure their CSI programs. As the figure indicates, nearly all respondents have one or more full-time employees charged with managing the program. More than half of the companies have either created a separate CSI department, established a foundation, or contracted with another organization .



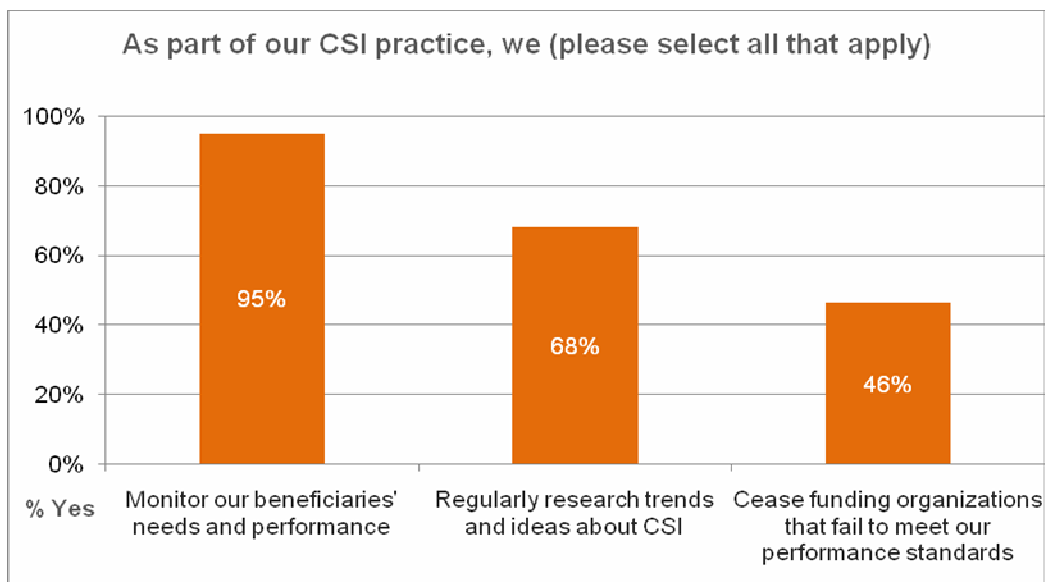
The second question examined how companies choose the development area(s) to invest in. Most base that decision on their perception of South Africa's social needs and/or the ability to leverage



their core business strengths in fulfilling those needs. Nearly half of the participants indicated that the potential to enhance their company’s reputation also influences the decision.



The third question asked whether companies engage in three strategic practices: monitoring and evaluation, research about CSI, and cutting off funding to organizations that do not meet certain performance standards. Ninety-five percent of the participants claim to engage in monitoring and evaluation, while around two-thirds “regularly research trends and ideas about CSI.” Less than half (46%) of the respondents indicated that their program will stop funding organizations that do not perform according to certain standards.



Interview Results

After detailing their CSI objectives, participants were asked about the process they use to achieve those objectives. I focused on two areas: how they determined which development sectors to invest in, and how they create or partner with existing initiatives. Other questions focused specifically on partnerships with the government.

The majority of respondents explained that they identify investment areas either in connection with the government's priority areas or by surveying employees and/or customers to determine which areas are perceived to be most in need of assistance. A smaller number indicated that they had conducted a strategic review of the development agenda, choosing those areas best aligned with their companies' capabilities.

In identifying beneficiaries, many companies ensure that the beneficiaries' activities align with the company's focus areas, create a few "flagship projects" in lieu of funding many, smaller initiatives, establish long-term and sustainable relationships with beneficiaries, and consult with community leaders. Many CSI officers expressed an openness to partnerships with other programs, although they were reluctant to partner with programs from companies that compete with their company in the market. Participants also described the benefits of partnering with government, including the potential to bring a project to scale, but also identified many difficulties that accompany such partnerships, such as political considerations.

Interview Quotes: Process for Identifying Focus Areas

- We conduct research through a corporate social marketing company to determine what a wide spectrum of demographics think are the most important community issues. It is also in synergy with government.
- We asked our customers and employees which areas we should focus on, they both steered us in the same direction.
- We follow national priorities set by the government
- The foundation includes trusts from a number of companies. They initially determined which brand would tackle which social issue, we then wrote strategy papers around each of those sectors for each trust.
- In 2006 we completed a strategic review of the space and decided to select six municipalities to work with. We also decided to work only where government is already active so that we don't create a vacuum if our funding ceases.
- We focus on government's top five priorities.

Interview Quotes: Process for Identifying Beneficiaries



- We are a high profile company that receives hundreds of proposals. We wait to receive proposals from community organizations.
- The majority of funding goes to flagship projects which the CSI program creates, while at the same time they give out minor grants strictly aligned to their focus area.
- It must fall into our focus area.
- We work within a 50K radius of our operational area. Our projects are integrated with the government and very tied to the local community.
- We have setup a trust, run by a board of trustees. This helps a lot to mitigate the potential for political issues to arise in deciding where the company's CSI is allocated. Initially we would entertain almost any request for funds, but as we've grown in size we are spending much more effort on ensuring we create impact.
- We like to have day-to-day management of the projects, although we partner with government and identify local partners in the community as we operate. Our focus is on long-term projects and sustainability.
- People are very into "flagship" projects. They want to have control. It has much to do with branding and imaging. The little initiatives lose out.
- We have setup community development committees which create our strategy for working within the community.
- We basically invest in our five priority areas so that we receive our social license to operate.
- The level of control CSI managers want depends very much on whether it's a full-time position and their level of passion.
- We look at proposals and encourage staff to get proposals as well, which helps them to buy into the project.
- We prefer to work with established NGOs with real capacity.
- We like to create competition among our beneficiaries. It is important for us to be engaged with the project.
- We engage in a mix: some organizations approach us, we approach some organizations.
- We focus on creating intense relationships with our beneficiaries, whom we select by doing due diligence on potential social partners.



- We connect with the leadership in the community to identify the biggest issues and smart ideas that people haven't used yet. This created our portfolio of initial projects. We also brainstormed with many experts in the field and brought in government from the beginning. We administer the projects through existing organizations, but maintain control of them.
- CSI portfolios are too often managed by people from the company, not an outside expert with the skills needed to make CSI work.
- Based on our research on development models, we experiment with policy interventions.
- We have an opportunistic fund which allows us to invest in beneficiaries when a problem arises suddenly, such as the recent wave of xenophobic violence.

Interview Quotes: Partnerships

- We once practiced “cause marketing”—tying the amount of products people buy to the size of a donation given to the beneficiary.
- We partner in all of our projects.
- Companies don't like partnerships, they want the glory. If you are out to change the lives of the people, the glory will come.
- Partnerships used to be much more unattractive as CSI programs held on to naming rights and focused on company identifiable initiatives. Now people are more willing to cooperate with each other, but partnerships are unlikely where the companies compete in the market.
- It's possible to partner with another company with whom you compete to cooperate once for a greater good. Some companies do that, others see their CSI as too intimately linked to their brand to coordinate with competitors.
- There's very little coordination because project officers often move from one company to another. There's a lot of talk about sharing but people are very slow to release information.
- There's a lot of talk about collaboration, but it's rare that something materializes. That's not because of senior level management preferences. Often it's because practitioners on the ground will become territorial. The day we can move on from the issues of conflict is the day we will see our souls as businesses.
- We shared a film about one of our beneficiaries with several other foundations. It is now being used as part of a school curriculum. Sharing can be helpful.



- We like partnering with companies. The more the better.

Interview Quotes: Partnerships with the Government

- It helps to bring on enablers like the Department of Education.
- Most of our partnerships with government are initiated by them.
- There is plenty of good will and intention surrounding partnerships with government. But it can be difficult on the ground in implementation.
- We help identify goals for the Department of Education. We also do extensive research for the government and have a very deep relationship with them.
- We work hand in hand with the government. We bring the knowledge, skills, and capacity, and they provide the money. It can be challenging sometimes.
- We are hesitant to get involved with government, because it can often become overly political.

Major Conclusions

The following conclusions emerge from the survey and interview results:

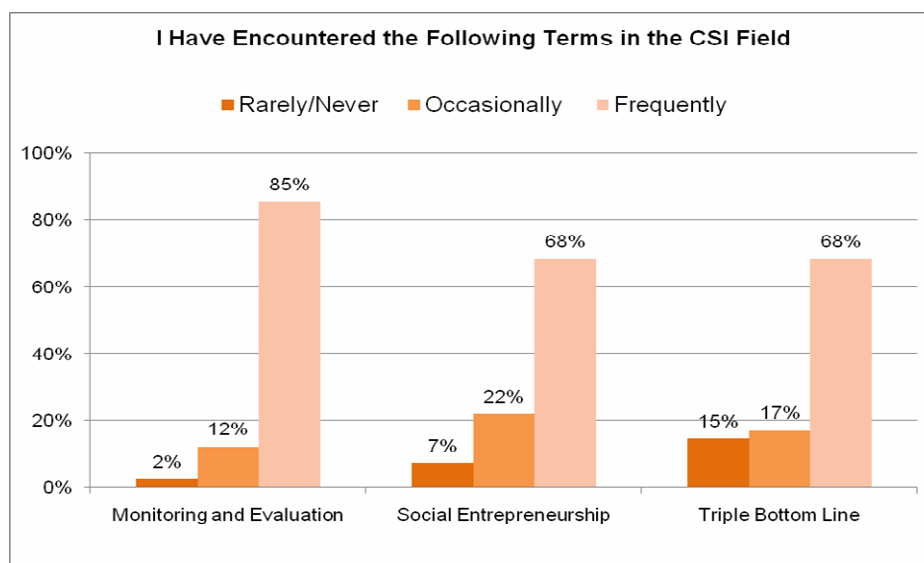
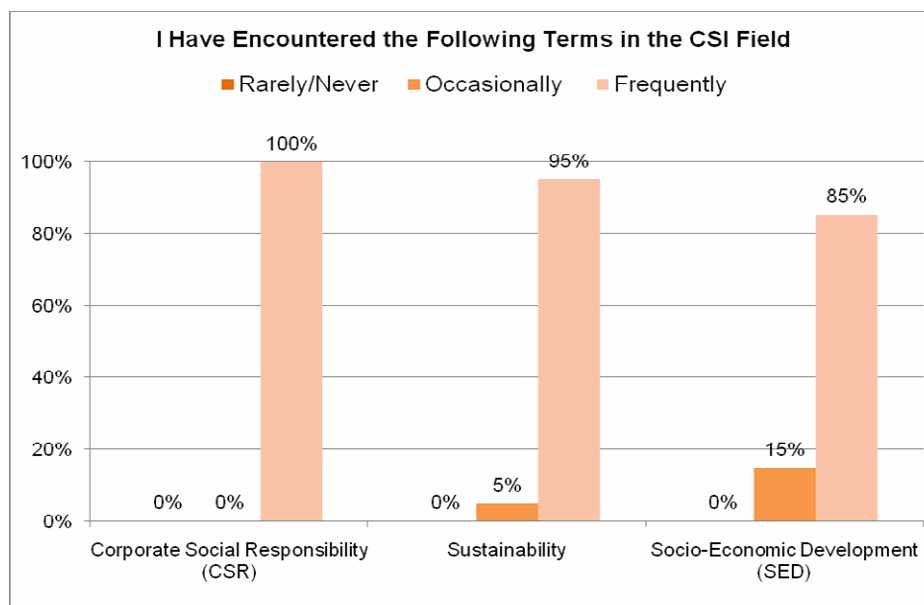
- Most strikingly, there is a wide variety of approaches to CSI. Program structure, the criteria used in identifying beneficiaries, and a number of other strategic practices vary considerably.
- Much of CSI strategy is perception-driven. Companies are very attuned to the effect a CSI program may have on their reputation. In identifying development sectors to invest in, many focus on public perceptions about development needs. While open to partnerships, some CSI officers indicated a reluctance to partner with competing companies.
- The level of engagement is high in the CSI field. Many companies look to create a long-term and sustainable relationships with beneficiaries. They deploy CSI through at least one full-time employee and in most cases in an entirely separate department or foundation. They like to actively manage projects, focusing especially on a few “flagship” initiatives.
- The level of monitoring and evaluation is unclear. While 98% of respondents indicated that they monitor and evaluate their beneficiaries’ performance, a mere 46% said that they cease funding organizations that fail to meet a certain performance standard—indicating that participants either misunderstood the question, or use monitoring and evaluation for purposes other than eliminating ineffective programs.

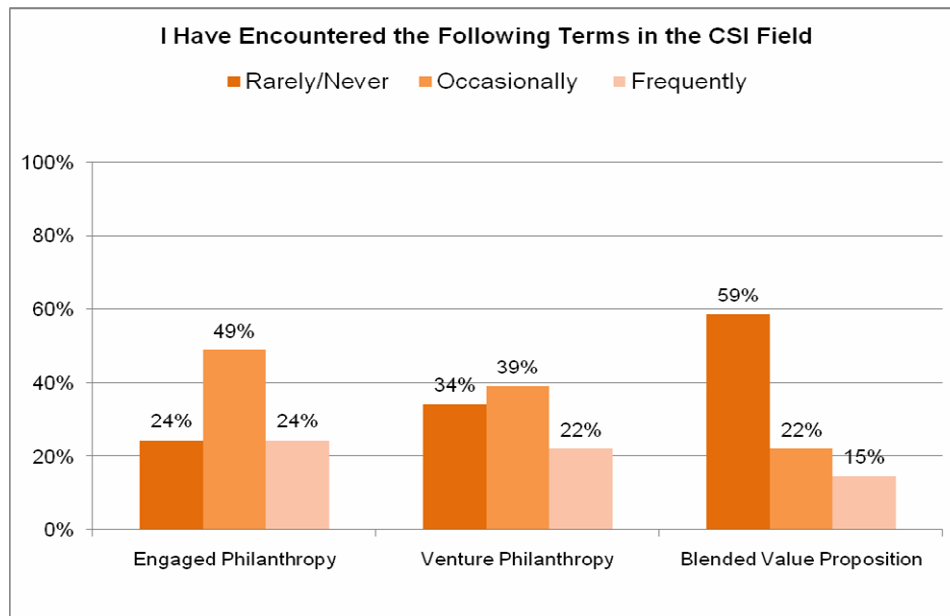
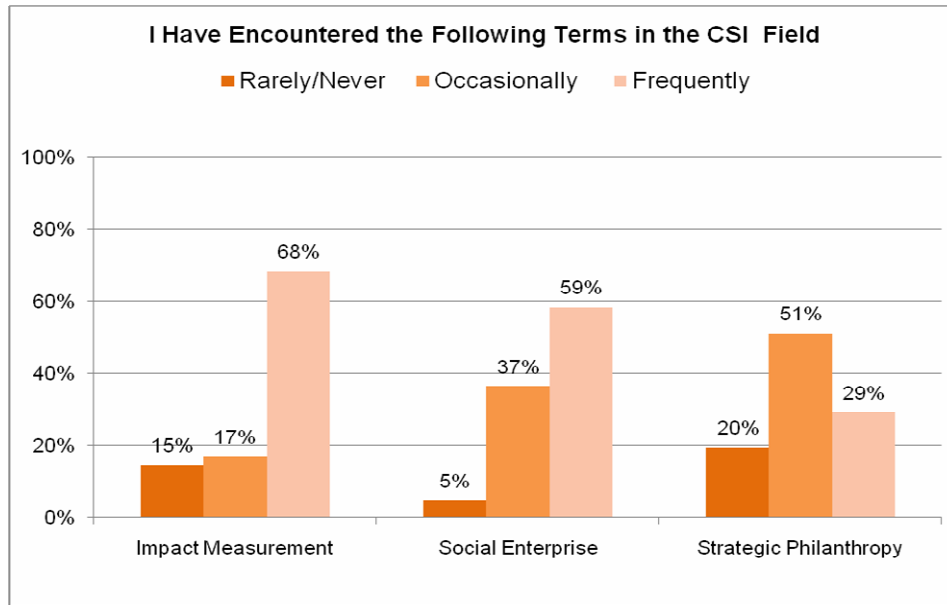


Terms in CSI

Survey Results

The survey gauged how popular certain terms in the CSI field have become. As the graphs show, “corporate social responsibility”, “sustainability”, “socioeconomic development” and “monitoring and evaluation” are all very common, with over 80% of survey respondents encountering the terms frequently. More than one half of the participants have encountered “social entrepreneurship”, “triple bottom line”, “impact measurement”, and “social enterprise” frequently. “Strategic philanthropy,” “engaged philanthropy,” and “venture philanthropy” were all less common. “blended value” was the least common term, with 60% of respondents indicating that they had rarely or never come across it.





Interview Results

Gauging awareness of CSI terms was generally not part of the interviews. However, follow-up questions about the blended value proposition revealed that very few participants understood the concept, bringing into question the figure of 37% of respondents who said they had encountered the term on the survey.

Major Conclusions



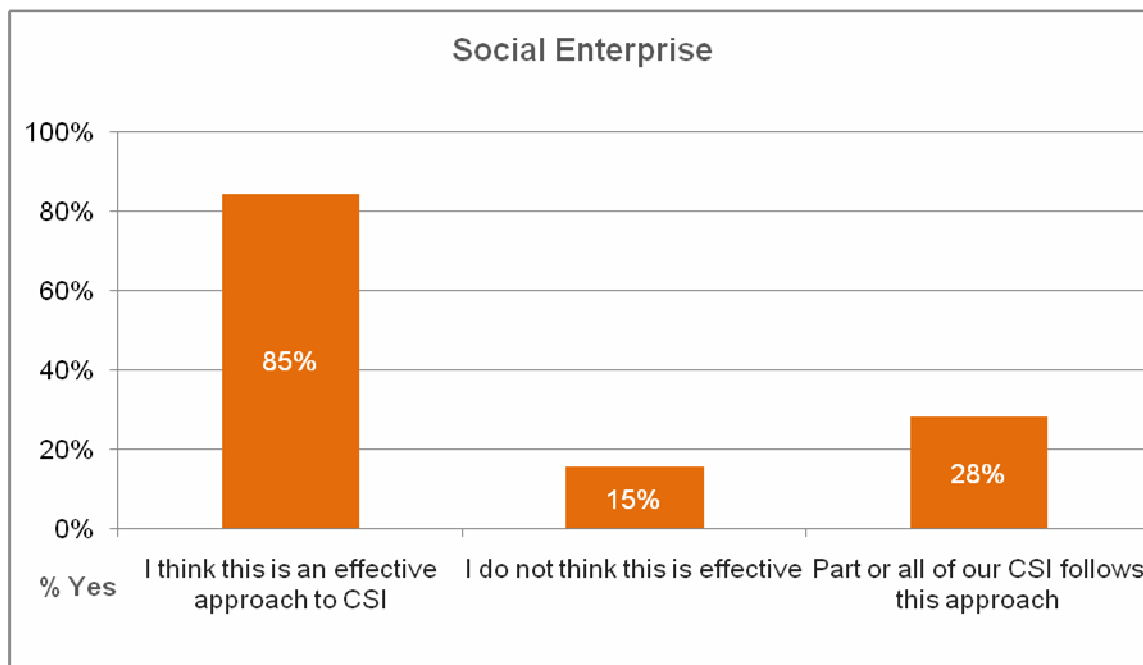
Although it is difficult to judge the accuracy of survey results without corroborating evidence from the interviews, levels of awareness about the included terms appear to be quite high in the CSI field:

- Aside from venture philanthropy and the blended value proposition, at least three-fourths of the participants had encountered (“occasionally” or “frequently”) every term.
- Over 90% of participants have come across social entrepreneurship or social enterprise

Social Enterprise

Survey Results

A full 85% of CSI officers indicated that they believe social enterprise is “an effective approach to CSI,” while only 28% indicated that their CSI program integrates that approach.



SOCIAL ENTERPRISE--uses the business model to create social value. A social enterprise may create affordable products for low-income customers or sell products that create social value to wealthier markets. Social enterprises focus primarily on the social and environmental value they create, in addition to the financial returns brought through their respective business models.

Interview Results

Most participants were enthusiastic about the idea of social enterprise, but many lamented a lack of a convenient opportunity to become involved. A significant number of participants indicated that their CSI programs make use of social enterprise; in a few cases, the CSI officers had used



their business's operations to serve lower-income markets at an affordable rate. Many participants spoke of a few small-scale social enterprises, particularly in agriculture.

Other participants emphasized that social enterprise should only be part of the solution, as financial sustainability might not be achievable where purely welfare efforts are required. One participant thought that the profit created in social enterprises was inappropriate, saying that philanthropy is "non-profit" for the very reason that profit should not be a part of the equation.

Interview Quotes: Social Enterprise

- We've found that many CSI programs are very interested in social enterprise, but there's a huge lack of capacity on the non-profit side. There are many financial institutions especially who are looking for innovative ways to invest.
- Most of our beneficiaries are traditional NGOs.
- I have had very little contact with social enterprise, but am quite intrigued and think it's a fantastic way of going forward. It's a dream of ours to go in that direction.
- We have a program in collaboration with the government that helps female farmers capacitate.
- I worry about scale. Many such initiatives are far too small scale. And I believe philanthropy exists precisely because NGOs are not for profit. To turn those into profit is crazy.
- It would be unattractive if it entailed basically buying a company's products for a low-income population. For instance, if a book publisher came to me asking our CSI program to buy school books for children, I wouldn't consider it an effective use of CSI.
- There is a need to ensure that there is a balance between driving CSI models that lead to financial sustainability, for organizations and the individuals they support, and also ensuring funds are committed to projects that address primary developmental needs such as food insecurity.
- Our foundation focuses not only on service delivery, but also on creating businesses that can begin to run and manage the services as contractors.
- We always look into partnering with a socially minded business to sell their products in our store.
- It's something we are very much engaged with. We have a program that transports goods to low-income villages. By leveraging our business connections and expertise, we've been able to provide the transport at an affordable rate. We also give many loans to small entrepreneurs.



- Social enterprise is the way to go. We want to invest in our beneficiaries, not simply give out money. For example, we've incubated a bakery model that we are now rolling out nationally and will soon hand over to enterprise development.
- It's an early time for social enterprise. We are using a model of building enterprises to support the needs of the community. For example, helping schools pay for themselves.

Major Conclusions

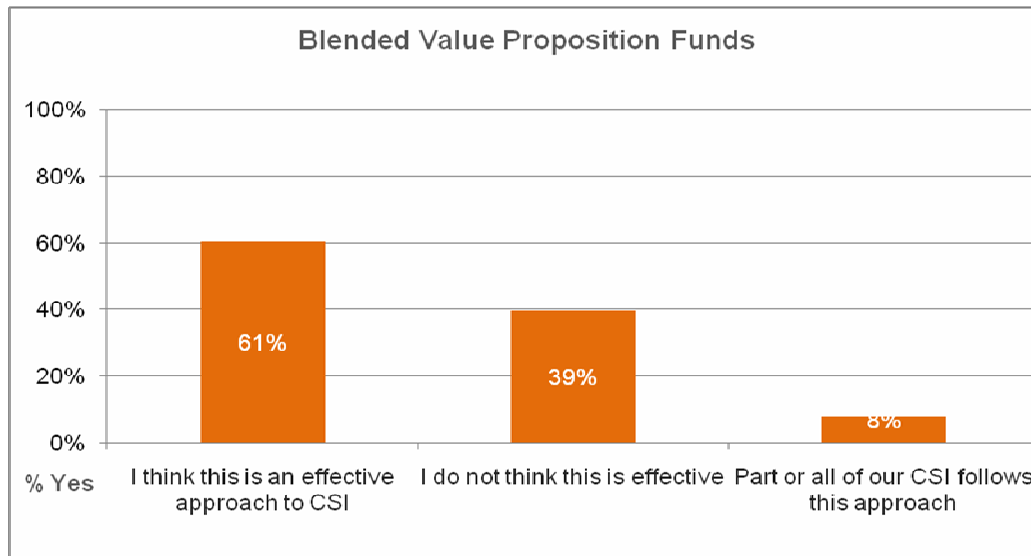
The results indicate that:

- A large majority of participants think social enterprise is an effective way to approach CSI.
- Around one-third of participants use social enterprise in their approach to CSI, usually in small-scale, agricultural initiatives.
- A few participants doubt the appropriateness of social enterprise, especially if it is not paired with an approach focused primarily on welfare and not financial sustainability.

Blended Value and Enterprise Development

Survey Results

A majority (61%) of respondents believe that the Blended Value Proposition Funds are “an effective approach to CSI”. Less than 10% of respondents’ CSI programs integrate that approach.



BLENDED VALUE PROPOSITION FUNDS--financial instruments that provide capital to social enterprises. Investors, from private individuals to corporates, invest their money in the funds to achieve a social as well as financial return.



Interview Results

Interview questions surrounding the Blended Value Proposition Funds centered around the participants' view of the blended value concept and their practice with regard to integrating Enterprise Development (a separate section of the BBBEE scorecard targeted to developing small and medium-sized businesses) with CSI—a mix that is a form of blended value.

Most participants responded that they were indifferent to financial return; if the Blended Value Proposition Funds would achieve the social return they sought in their focus areas, they would see it as effective. A few indicated that they would actively avoid achieving a financial return, and would see that effort as counterproductive.

The interviews also revealed a growing trend of fusing CSI efforts with ED initiatives. Many CSI officers talked about social enterprises that began as CSI projects, but were then transferred to ED once they became sustainable. Fusion among CSI and ED efforts was most common in CSI programs that were structured as part of the company, which enabled the CSI officers to collaborate with individuals in charge of ED. Foundations generally found it more difficult to work with other parts of the company.

Because ED points on the BBBEE scorecard are generally harder to achieve, many participants were eager to find more ways to fulfill that part of the scorecard. While open to more fusion between CSI and ED, many respondents voiced concerns about the level of business expertise, capacity, and scale among CSI partners, questioning whether they could feasibly shift to ED.

Interview Quotes: Responses Directly Related to Blended Value

- The government would love it.
- Very few CSI managers are following blended value, it's usually only the progressive leaders.
- We don't mind if our partners are making a profit or not.
- It would depend upon the focus of the underlying investments—if they align with our CSI focus area, it would be attractive.
- There would be a danger of being removed from the project—we need engagement and oversight. You must build something that still enables partnerships and the corporate to bring their expertise as well as money to bear.
- Most people are charity-based, you can't get away from that. But we agree that we should move away from hand-outs. We want to invest in social programs. Our social enterprise programs may find a financial return, but it would be a bonus, not an overwhelming objective.



Interview Quotes: Responses Related to Enterprise Development

- In many cases, we train our CSI beneficiaries with the goal of shifting them to enterprise development.
- ED still sits within the company and not within the foundation. Many of the companies probably don't have their heads around the enterprise development codes. But many companies are asking about ED because it brings more BEE points.
- We've just begun to fuse ED with CSI. I work at the foundation but am in close contact with the person in charge of ED at the company.
- The company is struggling to meet its enterprise development targets. It simply isn't spending enough money. Partnering with a social enterprise could be difficult depending upon the legal status of the organization.
- Many small businesses simply don't have the expertise to receive ED, they need an intermediary to come with the business expertise and mediate the assistance.
- We see a synergy between CSI and ED. We focus on either improving the social impact of a business or scaling businesses.
- Giving small businesses access to the market is the easiest solution, but the products have to be of the same quality as our stores' other products.
- If a business has a social element and qualifies for ED, it's all the more attractive.
- There's a danger of the NGO focusing solely on the social issue and neglecting the business side—which is the driver for the CSI program in the case of ED.
- We tried merging our CSI and ED, but it's very difficult because of the scale involved in our operations. Most of the people supported by CSI are small entrepreneurs that can't compete with other people in our supply chain. But we do give preferential payment and marketing space.

Major Conclusions

Survey and interview results indicated that:

- Blended Value Proposition Funds were the least popular of the philanthropy models presented in the survey, but a majority of participants saw them as an effective approach. Subsequent interviews revealed that most participants are open to blended value as a method of achieving social return, but are not interested in financial return.
- Mixing CSI and ED efforts is uncommon, but is a growing trend, particularly where a CSI officer works closely with individuals responsible for ED.



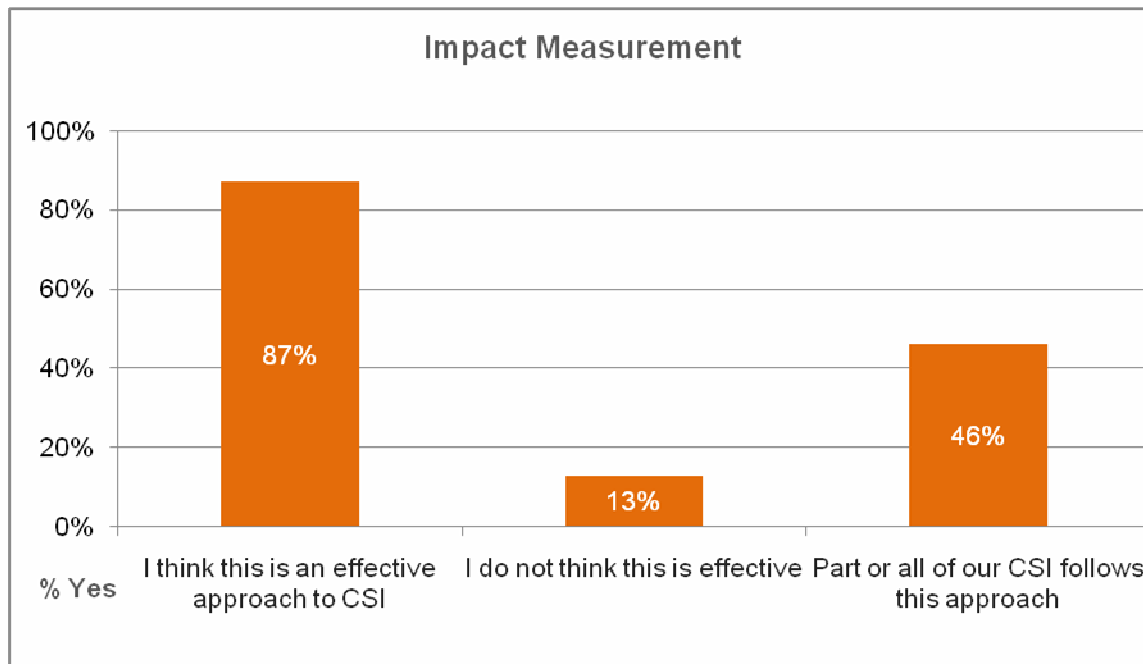
- Most participants are interested in fusing CSI with ED efforts because ED scorecard points are difficult to obtain. But there are many concerns about the level of capacity among CSI partners in shifting them to ED.

Impact Analysis

Survey Results

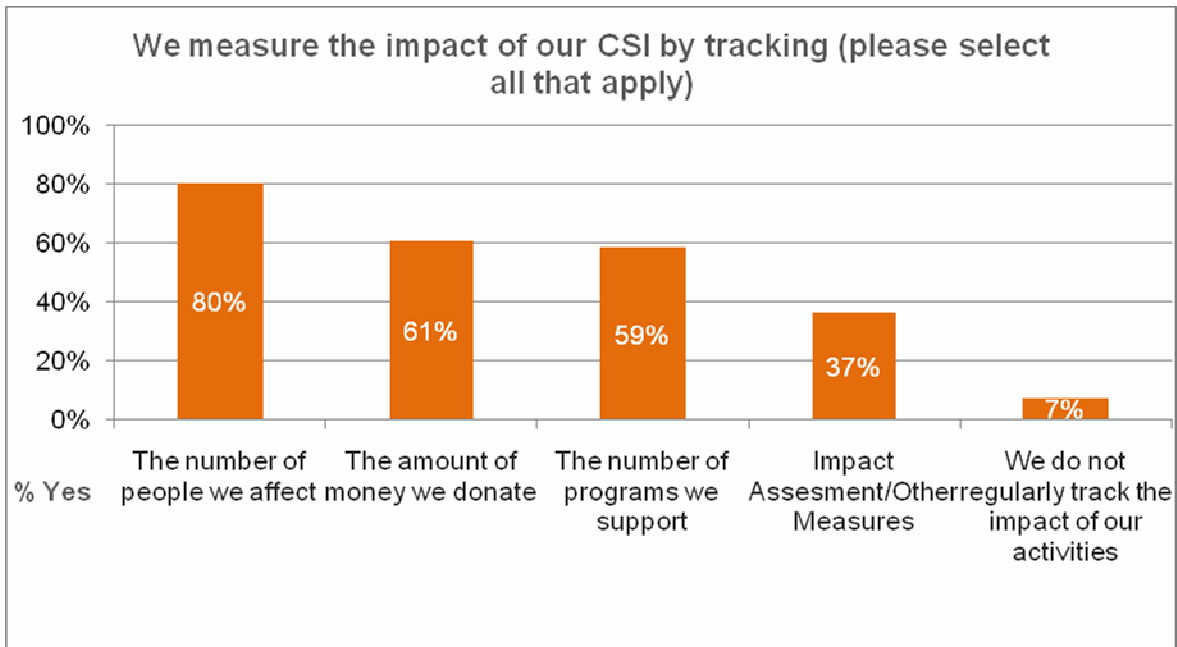
Nearly all (87%) of survey respondents indicated that they think impact measurement is an effective approach to CSI. Slightly less than half (46%) indicated that their CSI programs include impact measurement.

Surprisingly, while only 46% of respondents said that their CSI program includes impact measurement, 80% indicated that they measure the impact of their CSI by tracking the number of people they affect. That 37% of respondents said they measure the impact of their CSI by assessing impact beyond the measurements provided in the survey (“the number of people we affect”, “the amount of money we donate”, “the number of programs we support”), might indicate that respondents think an effective impact measurement includes additional metrics.



IMPACT MEASUREMENT--Many voices in the field of philanthropy have recently argued that donors should spend more effort tracking the impact of their activities by developing and implementing new ways of measuring social value. Others have argued that measuring impact is too difficult and/or takes too much time. What do you think about spending more resources on impact measurement?





Interview Results

Two major themes emerged from the interviews. Participants nearly all agree that impact analysis is an important part of an effective CSI program. At the same time, few respondents' CSI programs entail a formal, written, and metrics-based analysis. Participants identified a need for impact analysis, but relatively little capacity to execute it effectively.

Interview Quotes: Impact Analysis

- We have no written evaluation, but I personally speak with project managers and regularly make site visits.
- It is important to align our projects around our communities to enhance our monitoring ability.
- We have four projects. For two of them, we have commissioned impact assessments. The other two we monitor and evaluate on an ongoing basis.
- We believe in ongoing monitoring and evaluation for project assessments to measure outcomes. But because we lack scientific measures of results, we haven't embarked on a comprehensive impact measurement effort.
- I think people have given lip service to impact analysis, but they haven't really stepped up. A lot of it is wishful thinking.
- We are not quite there with impact analysis, but are working on it.

Major Conclusions



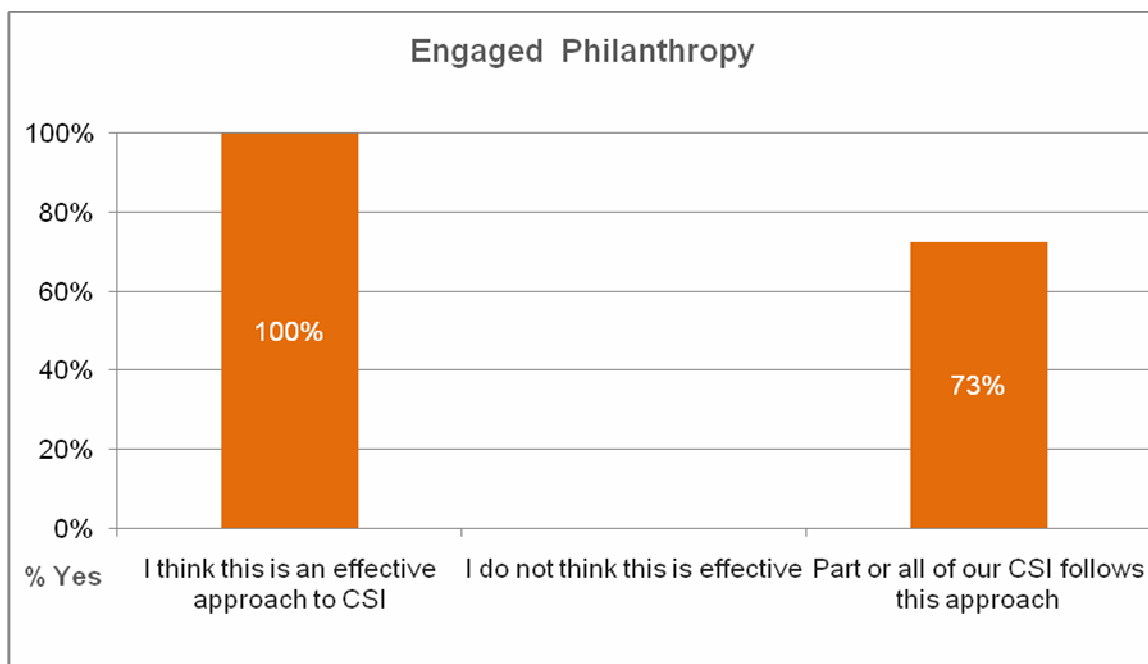
Survey and interview results indicated that:

- Participants view impact analysis as an important part of CSI
- While some participants' CSI programs entail a comprehensive impact assessment, most programs have not embarked on rigorous analysis, typically because they lack the capacity to do so

Venture and Engaged Philanthropy

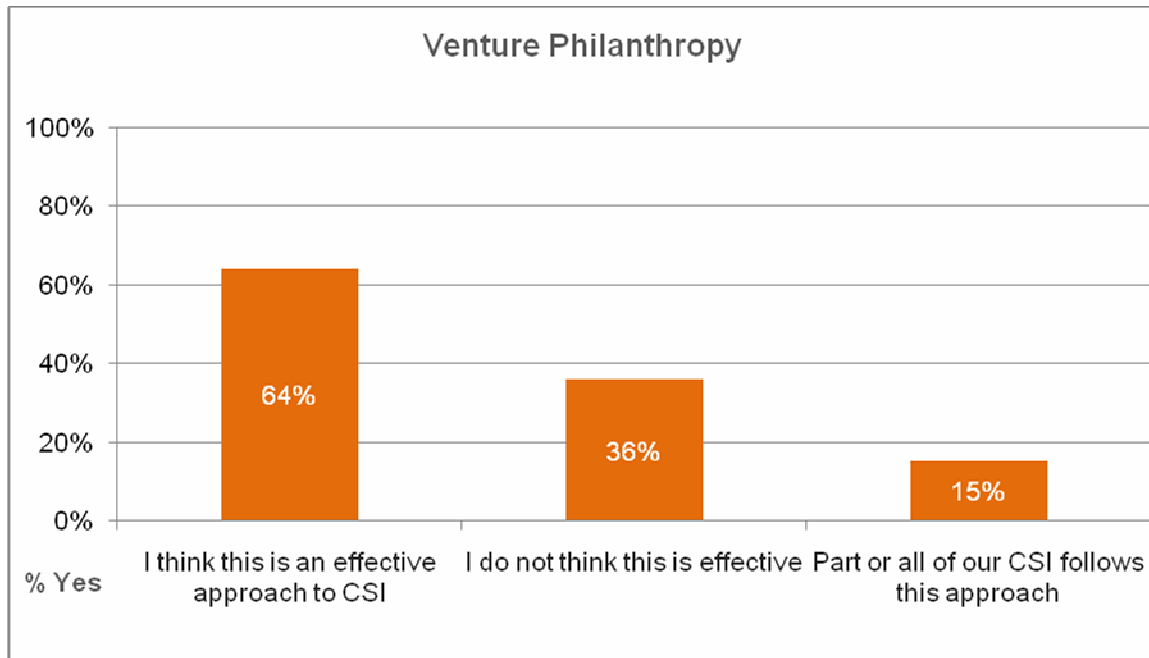
Survey Results

All participants view engaged philanthropy as an effective approach to CSI; 73% of them characterize their CSI programs as following that approach. A majority of participants, 64%, think venture philanthropy is an effective approach with only 15% of their CSI programs following the approach.



ENGAGED PHILANTHROPY— when investors take an active, personal role in engaging with their beneficiaries beyond providing financial support. This may include coaching, board and executive recruitment and participation, accessing networks, and leveraging relationships to identify additional resources and facilitate partnerships.





VENTURE PHILANTHROPY--using the concepts of venture capitalism to achieve philanthropic goals. The approach includes a constant focus on measurable social return to financial investments.

Interview Results

Although engaged philanthropy and venture philanthropy were not included as topics in the interviews, participants addressed the underlying themes in answering other questions. Many participants, especially those from larger companies, indicated a desire to be actively engaged with projects, helping determine strategy, offering their company's resources, and being involved in implementation. While participants emphasized the need to measure the impact of their CSI, few spoke about measuring or comparing their returns on investment.

Major Conclusions

Survey and interview results indicate that:

- Participants want to be actively engaged in their CSI programs and view engaged philanthropy as an effective approach to CSI.
- Venture philanthropy is an uncommon model in CSI. Participants focus on impact, but not on comparing returns among their investments.

Sector Trends, Strengths, and Weaknesses

Survey Results

The survey did not include questions about broad sector trends, strengths, and weaknesses.



Interview Results

Some interview participants were asked about their opinion on broad sector trends, strengths and weaknesses. Two prominent trends emerged: a recent shift in the field towards a more strategic and sustainable approach to CSI, and a growing emphasis on impact analysis. Strengths included the diversity of CSI initiatives, which promotes experimentation, and the ability of companies to leverage their core business strengths in implementing CSI initiatives.

Most respondents focused primarily on the field's weaknesses. A failure to be accountable for the results of CSI initiatives, a lack of collaboration within companies and among CSI programs, the instability of CSI programs over the long run, and a lack of capacity to execute effective programs, were prominent themes.

Interview Quotes: Trends

- It has evolved from a purely philanthropic activity to a more strategic one.
- There's a growing awareness that you need longer engagement and more focus on impact.
- There's a strong pull towards sustainability.
- It is moving towards a more professional field. Companies want to know why they are spending their money and what sort of return and impact they are getting.
- We are becoming more specialist, bringing more experts on specific development issues.
- It used to be very reactive funding, if a request looked appealing enough, it got funding. There's been a recent shift towards a more proactive approach. People identify what they want to do and whom to fund. But it's not based on strong empirical data.

Interview Quotes: Strengths

- We bring our check book and in-house expertise.
- It's always been all over the place and I think that's one of the strengths of CSI. Everyone has their own way of dealing with it.

Interview Quotes: Weaknesses

- At its worst, it's like the factory manager going out to the factory and throwing out money and hoping it gets to the right people.
- We need a greater focus on results.



- We need more reporting of what works and what doesn't, particularly the failures.
- The corporate environment isn't always conducive to sharing, but open sourcing is what we need in the CSI sector. We once brought on another foundation that observed our project and then started up in another region; it was a great partnership.
- Depending upon the size of our investment, it's possible to create a vacuum of funding where we work should the funds run out.
- We need people to start thinking about the best practices.
- We must identify and replicate where people have been successful. This is where a foundation would be helpful.
- In more developed societies, CSI is the cherry on the top, whereas here with health initiatives, it can be the primary source of support. The state should be there, but it isn't always.
- All of the CSI adverts explain how good the programs are and how much success there is. But look at the social fabric of this country. It's collapsing.
- The only real sustainable funder in society is government, companies come and go. We should be investing in innovative models and case studies that could possibly serve as a model for government.
- Genuine welfare is not getting enough funding (e.g. animals and seniors), partly due to the focus on HIV/AIDs and waves of what is sexy in the moment obscuring other areas.
- Too many people are using a reactive approach, not beginning with a strategic lens. Programs need to be staffed and well-skilled. We must ask the difficult questions: "You are not government, so why are you playing in that space?" We are not asking ourselves that question often enough.
- There are very few sets of tools that enable monitoring & evaluation/impact.
- Many people haven't settled on sectors or priority issues, so it becomes impossible for them to count what they are doing.
- The NGO sector is battered. After 1994, many of the skilled individuals went into government. Although we are now seeing a younger generation moving into the sector with many more skills.
- One challenge is increasing our collaboration with other areas within the company and increasing the level of awareness about social issues among senior level business administrators.



- There is a big problem of duplication. Corporates may be working in the same school and not even know about it. The beneficiaries will simply take what they can get.
- Our thinking is fairly robust, but we simply haven't proved ourselves.

Major Conclusions

The interview results indicated that:

- The CSI sector is becoming increasingly strategic, with companies focusing more on the impact they wish to achieve and creating larger programs to implement initiatives.
- Participants see the diversity of CSI efforts and the ability of companies to bring their core business skills to bear on initiatives as strengths of the sector.
- Perceived weaknesses of the sector include a failure to be accountable for results, a lack of collaboration, instability of programs, and a lack of capacity.



6. APPENDICES

Appendix I: Resources

I used the following materials as part of my secondary research. They provide a general overview of social entrepreneurship, financing social enterprises, and CSI in South Africa. I recommend reading them to inform any aspect of strategic philanthropy. Click on the titles to access the materials online or view the URL.

Major Philanthropy Research Centers

- [Center for Philanthropy at Indiana University](#)
- [The Center for Effective Philanthropy](#)
- [A List of Academic Centers Focusing on the Study of Philanthropy](#)
- [The Foundation Center](#)

Defining Social Entrepreneurship

- [“The Meaning of Social Entrepreneurship” by George Dees](#)
- [“Social Entrepreneurship: The Case for Definition” by Roger L. Martin and Shelly Osberg](#)

Surveys of Social Entrepreneurship

- [“Surveying Social Entrepreneurship” by Maximilian Martin](#)
- [“Developing the Field of Social Entrepreneurship: A Report from the Center for Advancement of Social Entrepreneurship \(CASE\)”](#)

Major Research Centers on Social Entrepreneurship

- [The Stanford Center for Social Innovation](#)
- [The Center for the Advancement of Social Entrepreneurship \(CASE\) at Duke University](#)
- [The Social Enterprise Initiative at the Harvard Business School](#)
- [The Oxford SAID Business School Center for Social Entrepreneurship](#)
- [The Research Initiative on Social Entrepreneurship at the Columbia Business School](#)

Major Foundations Dealing with Social Entrepreneurship

- [The Ashoka Foundation](#)
- [The Skoll Foundation](#)
- [The Schwab Center for Social Entrepreneurship](#)

Lists of Global Practitioners of Social Entrepreneurs



- [Leading social enterprises in the U.S.: Fast Company's 2008 Social Capitalist Awards](#)
- [RISE's Directory of CEOs](#)
- [Ashoka's Fellows](#)

Financing and Measuring the Impact of Social Enterprises

- [“Nothing Ventured Nothing Gained: Addressing the Critical Gaps in Risk-Taking Capital for Social Enterprise”](#) by Jed Emerson, Tim Freundlich and Jim Fruchterman
- [The Global Impact Investing Network:](#)
- [“Measuring and/or Estimating Social Value Creation: Insights into Eight Integrated Cost Approaches”](#) —a report by the Gates Foundation

Blended Value Proposition Funds

- [“The Nature of Returns: A Social Capital Markets Inquiry into Elements of Investment and the Blended Value Proposition”](#) by Jed Emerson
- [The Blended Value Map](#)—an online guide to resources on Blended Value

CSI in South Africa

- [Trialogue's CSI Handbook](#)

Appendix II. Survey Materials

A. Survey Participants

Absa	Johnson & Johnson
AECI	Land Bank
Afrox	Massmart
Anglo American Chairman's Fund	Media24
Anglo Platinum	Momentum
Archway Foundation	Mondi
AVI	Nampak
Bidvest	Nedbank
BMW	NPC Cimpor
BP	PPC Cement
Brait SA	Praxis
Cadbury	PricewaterhouseCoopers
Cape Town Iron Works and Stell	Rand Merchant Bank Fund
Chevron	RedCap Foundation (Mr. Price Group)
Clicks Holdings	Shanduka
Dell South Africa Development Fund	Standard Bank
Development Bank South Africa	TOTAL
First National Bank Foundation	Unilever
Ford	Volkswagen
Harmony	Woolworths
Investec	



B. The Survey

The survey was originally available here: <http://www.surveygizmo.com/s/134146/csi-in-south-africa>. The text is included below.

CSI in South Africa

Thank you for agreeing to take the survey! There are eight questions. Please answer as many questions as you can. Your responses will remain private, but aggregate survey results may be published.

1. Company Information

Company Name:

Annual CSI budget (in Rand, if known):

Annual contribution to Enterprise Development (in Rand, if known):

2. Our CSI objectives include:

- Creating social change
- Enhancing employee attraction and retention
- Enhancing investor relations
- Improving our financial bottom line
- Complying with the BEE Codes
- Building our reputation
- Other:

3. We deploy our CSI through:

- A sub-contracted organization (e.g. an outside consulting firm)
- A foundation created by our company
- A separate CSI department within the company
- One or many CSI officers
- A part-time CSI officer
- Other:

4. We choose to invest in development sectors (please select all that apply):

- Our core business strengths
- Our executive management's preferences
- Our research on South Africa's development needs
- The potential to build our corporate reputation
- The potential to improve our financial bottom line
- The number of proposals we receive per sector
- Other



5. I have encountered the following terms in the CSI field (please circle your answer)

Corporate social responsibility	Rarely/Never	Occasionally	Frequently
Socio-economic development (SED)	Rarely/Never	Occasionally	Frequently
Venture Philanthropy	Rarely/Never	Occasionally	Frequently
Engaged Philanthropy	Rarely/Never	Occasionally	Frequently
Strategic Philanthropy	Rarely/Never	Occasionally	Frequently
Triple Bottom Line	Rarely/Never	Occasionally	Frequently
Sustainability	Rarely/Never	Occasionally	Frequently
Social enterprise	Rarely/Never	Occasionally	Frequently
Blended Value Proposition	Rarely/Never	Occasionally	Frequently
Impact Measurement	Rarely/Never	Occasionally	Frequently
Monitoring and Evaluation	Rarely/Never	Occasionally	Frequently

6. We measure the impact of our CSI by tracking (please select all that apply):

- The amount of money we donate
- The number of people we affect
- The number and size of programs we support
- We do not regularly track the impact of our activities
- Other:

7. As part of our CSI practice, we (please select all that apply):

- Regularly research CSI trends and best practices
- Monitor our beneficiaries' needs and performance
- Cease funding organizations that fail to meet our performance standards
- Decline to respond

8. Philanthropy Models

The following question presents a few models and strategies for approaching CSI within the context of philanthropy. Please read the definitions and check the appropriate boxes. If you would like to elaborate on your answers, you may do so in the "optional" section.

ENGAGED PHILANTHROPY-- when investors take an active, personal role in engaging with their beneficiaries beyond providing financial support. This may include coaching, board and executive recruitment and participation, accessing networks, and leveraging relationships to identify additional resources and facilitate partnerships.



- I think this is an effective approach to CSI
- Part or all of our CSI follows this approach

VENTURE PHILANTHROPY--using the concepts of venture capitalism to achieve philanthropic goals. The approach includes a constant focus on measurable social return to financial investments.

- I think this is an effective approach to CSI
- Part or all of our CSI follows this approach

IMPACT MEASUREMENT--Many voices in the field of philanthropy have recently argued that donors should spend more effort tracking the impact of their activities by developing and implementing new ways of measuring social value. Others have argued that measuring impact is too difficult and/or takes too much time. What do you think about spending more resources on impact measurement?

- I think this is an effective approach to CSI
- Part or all of our CSI follows this approach

SOCIAL ENTERPRISE--uses the business model to create social value. A social enterprise may create affordable products for low-income customers or sell products that create social value to wealthier markets. Social enterprises focus primarily on the social and environmental value they create, in addition to the financial returns brought through their respective business models.

- I think this is an effective approach to CSI
- Part or all of our CSI follows this approach

BLENDED VALUE PROPOSITION FUNDS--financial instruments that provide capital to social enterprises. Investors, from private individuals to corporates, invest their money in the funds to achieve a social as well as financial return.

- I think this is an effective approach to CSI
- Part or all of our CSI follows this approach

OPTIONAL: If you would like to clarify any of your answers or have any additional comments about your company, CSI, or the survey, please provide them below:

Conclusion and Further Information

Thank you so much for completing the survey. I really appreciate your time and willingness to contribute to this research.

For more information about the concepts contained in the survey and for resources about recent trends in philanthropy, please visit: <http://www.stanford.edu/~ahillis/csi>



If you are interested in social enterprise and/or Blended Value Proposition Funds, I recommend visiting Heart's website: <http://www.heartglobal.org>

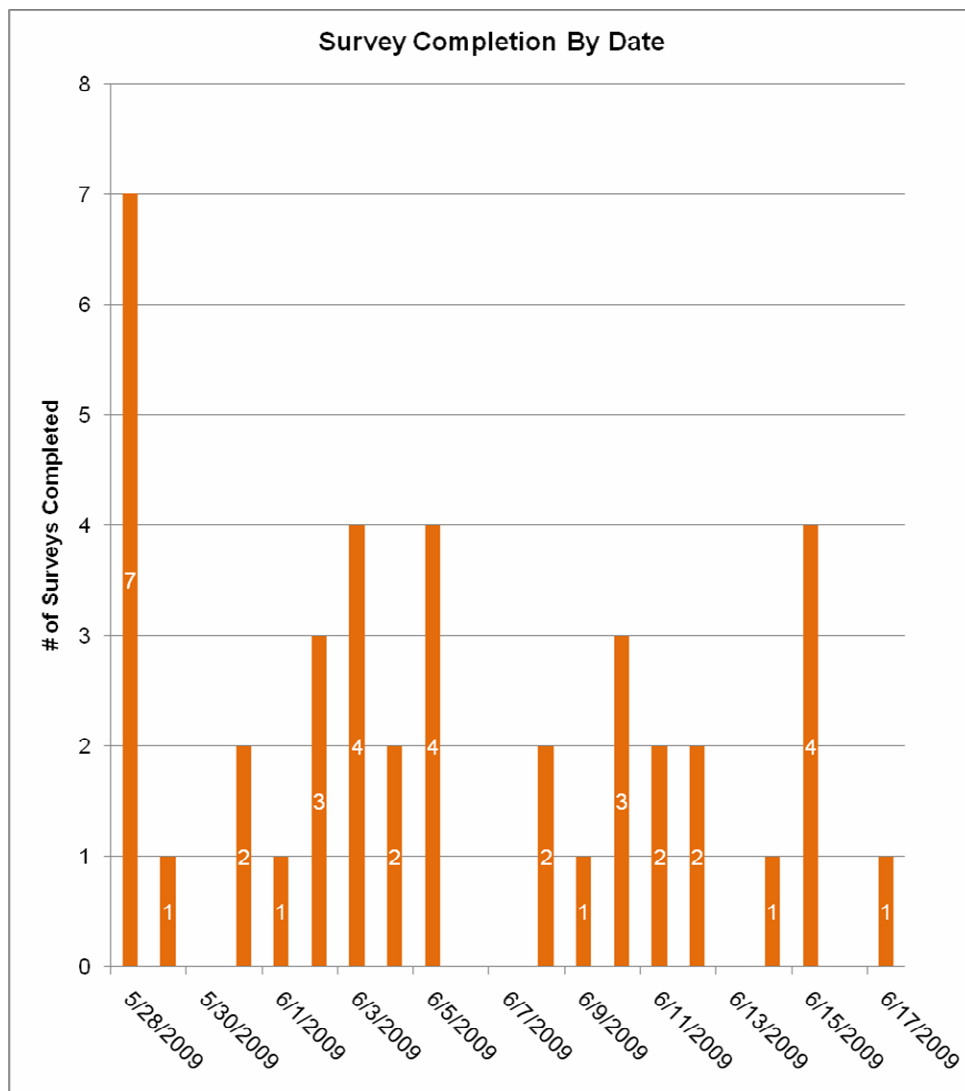
They have just launched a series of Blended Value Proposition Funds which will offer investors a social and financial return.

Once all of the survey results are in, I will send you a report benchmarking your responses to others in the field. You can expect to receive this in July.

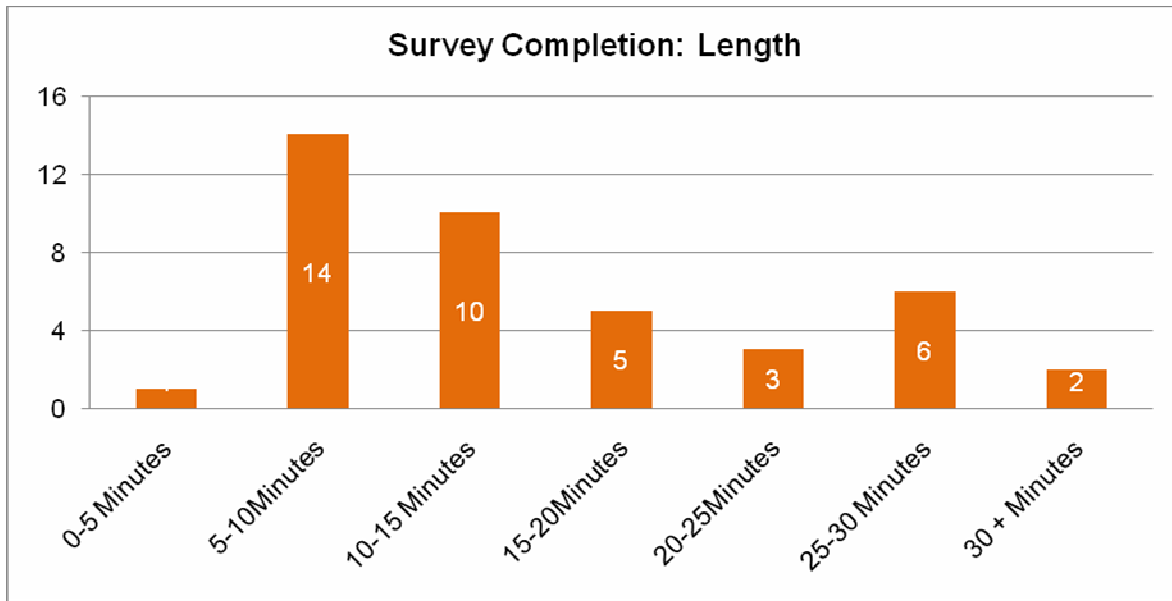
Have a great day!

C. Survey Completion Information

The following graph shows the timeline of survey responses. The survey was sent in two waves, one on May 28th and the other on June 5th.



The survey consisted of eight questions, some with several sub questions. Respondents completed the survey at a median interval of 10-15 minutes.



Appendix III. Interview Materials

A. Interview Questions

Most questions in the interview were tailored to the participants' responses. However, I used the following questions consistently to ensure common focus areas across the interviews. A few follow up questions accompany each standard question.

CSI Objectives

Standard Question(s):

- Please briefly describe your company's CSI objectives

Potential Follow-Up Question(s):

- How, if at all, does it fit into your business strategy?

CSI Strategy

Standard Question(s):

- Please describe the process you use for identifying and creating programs and investments that will fulfill those objectives

Potential Follow-Up Questions:

- How does the CSI program fit within the company?



- What level of control and engagement do you typically seek with beneficiaries?
- What partnerships, if any, have you had?
- Do you typically create the programs, or fund existing organizations?

Social Enterprise

Standard Question(s):

- Have you encountered the term social enterprise?
 - If yes: In what context?
 - If no: “social enterprise is an approach to philanthropy that uses the business model to create social impact.”
- Do you think social enterprise is an effective model for CSI?

Potential Follow-Up Questions:

- Please describe any social enterprises you support

Blended Value and Enterprise Development

Standard Question(s):

- Have you encountered the term Blended Value?
 - If yes: In what context?
 - If no: Blended Value is the idea that any economic activity undertaken—whether in the for-profit or not-for-profit world—inevitably creates a blend of social, financial, and environmental return.
- Do you think investing CSI in a fund that creates blended value, with an emphasis on the social impact (such as by providing capital to social enterprises) is an effective use for CSI?
- What collaboration, if any, is there between your CSI and ED?

Other Questions (asked depending upon time and respondents’ expertise)

Standard Question(s):

- Please describe some of the biggest strengths and weaknesses of your company’s CSI
- Please describe some of the biggest strengths and weaknesses of the CSI field generally
- How, if at all, do you measure your CSI’s impact?
- Please talk briefly about any trends you see within the CSI sector

B. List of Interview Participants

Interview Participants

Chevron
 First National Bank Foundation
 General Motors South Africa Foundation
 Greater Good South Africa
 Massmart

Palabora Foundation
 PPC Cement
 Praxis
 Rand Water Foundation
 RedCap Foundation (Mr. Price Group)



Standard Bank
TOTAL

Woolworths

Appendix IV. About the Author

Andrew Hillis is a student at Stanford University in the United States. An undergraduate majoring in public policy, his academic interests include international development and strategic philanthropy. He volunteered with Heart in the spring of 2009 as part of a quarter off from Stanford. He is originally from St. Louis, Missouri.

