Below average company CSI reporting widespread

While criticism at claims made about community development and project delivery usually focuses on the public sector, its private CSI counterpart is often the scene of sloppy reporting with low standards of measuring the effects of work done. This has practical and harmful effects on community upliftment efforts, and places company reputations at risk, according to a study released this week by CSI research consultancy Trialogue.

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The study has only 12 out of the 72 companies on the JSE Social Responsibility Index rated as "good" on their corporate social investment (CSI) reporting, according to the new analyses. No companies were rated "excellent".

The findings are contained in Trialogue's "CSI Reporting Barometer", issued with its 17th annual survey of CSI trends and activity in South Africa. According to the broader survey which is based on published corporate accounts, along with face-to-face interviews with 99 CSI managers in companies, and on online surveys of 171 non-profit organisations (NPOs), South Africa's private sector spent R8.2 billion on external social causes in 2014; a marginal decline of 2% on last year, and the first contraction since surveys begun.

Meanwhile, standards applied by many companies to their public CSI reporting often lags the rigour that their other types of public accounting insist on, sometimes to the extent of being misleading, including by making claims that cannot have been properly tested or confirmed.

Most companies (around 90%) measure - or hand over this task to the social development organisations that they fund - how effective company largesse is when it is spent on the recipient oganisation's most important projects.

Fully 64% of companies insist that they measure the developmental impact of projects that they fund ("impact" in this case referring to long-term positive developmental improvements within a particular project's broader community's; a complex and expensive measurement exercise).

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Yet Trialogue's research shows that only 2% of CSI budgets are on average directed to monitoring and evaluation of project effectiveness.

Trialogue director Nick Rockey notes that given the majority insistence by corporate SA that it undertakes CSI monitoring and evaluation, "companies seem surprisingly coy in reporting on the results on the ground of this".

These latest of Trialogue's findings on CSI reporting standards is based on the published public CSI reports of all 72 companies that make up the JSE Social Responsibility Index, across 13 criteria.

Companies only scored an average of 1.7 out of five on the "formal project impact assessment" criterion, with only 39% of companies mentioning this basic foundation of social investment reporting at all.

"Where this basic diligence is absent, some parts of corporate social investment reporting have to be taken on faith, a poor reflection on some company attitudes to measuring community involvement, and inevitably misleading in resultant corporate claims in some cases.

"A murkiness in some reporting must, unfortunately, tar other, more robust, claims made by others in the private sector - with the difference between solid and presumed results not always being immediately obvious to the public", said Rockey. Yet the practical effects of accurate or inaccurate CSI reports are very real, he says.

He points out that most CSI grantmakers have many public demands on them, and thus tend to spread their resources thinly. In 2014 this meant that nearly three-quarters (73%) of respondent companies supported more than 10 organisations, while a significant 12% gave to more than 100 organisations and projects. On average, companies support organisations in four or five developmental sectors, which range widely from health to education to welfare to entrepreneurial development, and to the arts and similar.

Making the most effective social investments then relies to a great degree on quality of impact reporting, given that the average number of dedicated CSI employees in corporate CSI foundations and departments is only seven - to serve often vast areas, sometimes nationally. More than a quarter (+26%) of companies have only two or fewer dedicated CSI staff members.

Such a widespread of projects, coupled with constrained CSI departments, can make it tempting for a company to claim project assessment of a depth that isn't there, or to report on-the-ground project results the accuracy of which may be poor to misleading; with knock-on practical effects on CSI choices made. Notes Rockey: "Of course for every rand spent on a CSI project, it is willy-nilly denied to a competing project, often with people in marginal circumstances affected. Here, choices matter greatly".

Meanwhile, developmental non-profit organisations being funded through CSI say that they are often required by funding companies to self-evaluate their effectiveness. Thus NPOs report spending an average 40 hours a month compiling evaluations and reports for their donors, and a further 88 hours each month pitching to donors for funding support. In this vortex lie obvious pressures to distortion of impact measurement and subsequent accounting of this.

"Corporate social investment is by its human nature already a complex space, and for various reasons companies increasingly place this part of their work in the public eye, making claims of various sorts as they go. They can only find benefit in navigating tricky developmental realities, and getting long-term term positive results while managing reputational risk, if they rigorousluy hold themselves to standards of CSI reporting as they do in their other public claims", said Rockey.