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Attitudes of business leaders and professional ecologists toward corporate social funding of environmental conservation

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A study of South Africa's business leaders and professional ecologists reveals strong support for corporate social funding. However, the average level from after-tax profits considered appropriate for corporate social funding by business leaders (3%) is appreciably lower than the ecologists' average of 14,5%. Both business leaders and professional ecologists believe that *environmental conservation* deserves greater financial support than it currently receives. *Education* is rated as the most worthy sphere for corporate social funding by both groups. Whereas ecologists rate *job creation* and *housing* as of equal concern to *environmental conservation*, and *health and welfare* of lesser concern, business leaders rate them all as of greater worthiness for funding than *environmental conservation*. Both groups regard *rural development* as a less important target for funding (although the ecologists place a greater emphasis on this sphere than the business leaders do), and deem *the arts* and *sport* to be of low priority. The business leaders' preferences for funding follow their perceptions of the priority issues facing South Africa at present, whereas ecologists believe that such funding should be selective, rather than effectively being a back-up for government responsibilities. The expressed concern for support of *population control*, acknowledged to be the most serious conservation issue in South Africa at present, is offset by the low level of actual corporate support for this issue. Business leaders, in particular, claim that corporate social funding of *environmental conservation* is backed by shareholders.

'n Studie van die houdings van sakeleiers en professionele ekoloë toon sterk steun vir korporatiewe sosiale befondsing. Die gemiddelde vlak van wins na-belasting (3%) wat sakeleiers egter as toepaslik vir korporatiewe sosiale befondsing beskou, is aansienlik laer as die ekoloë se gemiddeld van 14,5%. Sakeleiers sowel as ekoloë glo dat *omgewingsbewaring* groter finansiële steun verdien as wat tans die geval is. *Opvoeding* word deur beide groepe beskou as die belangrikste area vir korporatiewe sosiale befondsing. Terwyl ekoloë *werkskepping* en *behuising* beskou as net so dringend as *omgewingsbewaring*, en *gesondheid en welsyn* as minder belangrik, beskou sakeleiers hierdie aspekte as van groter dringendheid as *omgewingsbewaring*. Beide groepe beskou *landelike ontwikkeling* as nie so 'n belangrike doelwit vir befondsing nie (alhoewel ekoloë 'n groter klem op hierdie aspek plaas as die sakeleiers), en *die kunste en sport* as 'n lae prioriteit. Die sakeleiers se voorkeure vir befondsing is gebaseer op hul persepsies van die dringende kwessies wat Suid-Afrika tans in die gesig staar, terwyl ekoloë glo dat die dergelike befondsing selektief moet wees en nie regeringsverantwoordelikhede moet rugsteun nie. Teenoor die feit dat besorgdheid oor *bevolkingsaanwas* uitgespreek is en die beperking daarvan as die belangrikste omgewingskwessie tans in Suid-Afrika beskou word, staan die feit dat hierdie kwessie in werklikheid min korporatiewe steun ontvang. Veral sakeleiers beweer dat korporatiewe sosiale befondsing deur aandeelhouders ondersteun sal word.

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Introduction

Corporate social funding was one of the foci in a wide-ranging study of the attitudes of business leaders and professional ecologists toward conservation and development in South Africa (Preston, 1989; Preston, Fuggle and Siegfried, 1989/In Press). Corporate social funding (a more specific term than *corporate social responsibility*, as it is also called) was defined as 'a willingness to fund programmes to the benefit of society out of money that would otherwise be part of shareholders' profits'.

The hypothesis tested in this study was that there are significant differences between the attitudes of business leaders and professional ecologists toward conservation and development. Specifically, here, this would be manifested in their attitudes toward corporate social funding, and its distribution — particularly with respect to *environmental conservation*. Secondary hypotheses

were that certain biographical variables are significant determinants of differences within the two groups (e.g., 'applied' versus 'research' ecologists; business leaders from 'primary impact' versus 'secondary impact' businesses).

Regard for the views of South Africa's business leaders lies in their being very influential individuals in decisions affecting corporate social funding, while the professional ecologists' views are of interest on account of their insight into the needs of *environmental conservation*. What is more, in providing factual knowledge of the attitudes of these two groups, the study facilitates the search for common ground between them.

Corporate social funding is a contentious issue in business circles, as evidenced by the apocryphal maxim, 'The business of business is business'. Milton Friedman (1962), one of the best-known proponents of a market-driven society, asserts that 'Few trends could so

thoroughly undermine the very foundation of our free society, as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible'. His contention is that maximizing profits for shareholders is what achieves the greatest good for society. Moreover, he questions the ability of corporate executives to select the best options, hence casting doubts on the efficiency of their social funding programmes. However, far from allowing Adam Smith's (1776) 'invisible hand' to regulate the morality of the free-market system, all of the top listed companies in South Africa are believed to support (to varying degrees) corporate social funding (Bower, 1989). Many would appear to adhere to the view that 'The issue of what constitutes the common good is not, and cannot be, decided by market forces alone' (Leatt, 1984). Others may disagree in principle, but have nonetheless bowed to pressure to conform.

Some people claim that corporate social funding is merely as a form of advertising, the rewards of supporting a cause outweighing the costs of doing so. The South African Breweries sponsorship of sporting events, such as the Castle Currie Cup (cricket) and Lion Cup (rugby), is a case in point. The South African Breweries' attitude is that this money is a form of advertising (indeed, it is tax-deductible) and is divorced from their large, and low profile, funding programme (M. Kahn, pers. comm.). This echoes the views expressed in a survey of the readers of the Harvard Business Review (Brenner and Molander, 1977), where only 23% of the respondents agreed that 'social responsibility is good business only if it is also good public relations and/or preempts government interference'.

The term corporate social funding was used with respect to funding outside of the company. Some people believe that the funding of in-house schemes (with money that would otherwise be part of shareholders' profits), such as scholarships and housing subsidies, also constitutes corporate social funding. In this study such internal funding is not considered to be part of the corporate social funding, for shareholders are more likely to accept that such schemes are profitable for the company in the long term.

Method

The statistical universe used for the 'business leaders' was the managing directors of the top 100 industrial companies together with the top 100 companies by market capitalizing (Financial Mail, 1987), as well as the top non-listed (private or foreign-controlled) companies. Where there was no managing director, the chief executive or chairman was approached. The universe size was 138, and a sample of 100 business leaders was interviewed.

The statistical universe for the 'professional ecologists' was the professional membership list of the South African Institute of Ecologists. Those members living outside of the Republic of South Africa were excluded from the list, as were two members (Fuggle and Siegfried) involved in this research. The universe size

was 140, and a sample of 100 professional ecologists was interviewed.

The respondents were personally interviewed by the first author. The interview was based on a pilot-tested questionnaire covering 321 questions. Established techniques in survey design were applied (Preston, 1989). The interviewing period was from 14 December 1987 to 4 May 1988.

The data take the form of frequencies arranged in categories. Normality may not be assumed, necessitating non-parametrical tests. Appropriate tests in this analysis are *Pearson's chi-square test* for between-group analysis and *Wilcoxon's matched-pairs signed-ranks test* for within-group analysis (Siegel, 1956). *Correspondence analysis*, a 'perceptual mapping' multivariate technique (Greenacre, 1984 and 1986), is also used to graphically display patterns in the answers. The advantage of the Perceptual Map is that it shows the 'best fit' position of each of the variables, and gives the reader an overview of the reactions to these variables without making any assumptions about the data. The percentages on the axes of the Perceptual Map indicate the intensity of any vector by giving the proportional influence of each axis, and the sum of the percentages shows what proportion of the data is explained when compressed into a two-dimensional graph.

Results and discussion

Response rates of 87% for the business leaders and 100% for the professional ecologists were achieved. These are high by international survey standards (Babbie, 1973). A professional social survey practitioner said that, considering the target audiences and the time requested, these levels are exceptional for South Africa (B. Rice, pers. comm.). The 100 professional ecologists took, on average, 102 minutes to complete the full interview, while the average time for the 100 business leaders was 77 minutes.

Attitudes toward corporate social funding

The statement that *business companies in South Africa should fund programmes to the benefit of society out of money that would otherwise be part of shareholders' profits* elicited very strong agreement from business leaders and professional ecologists (Figure 1).

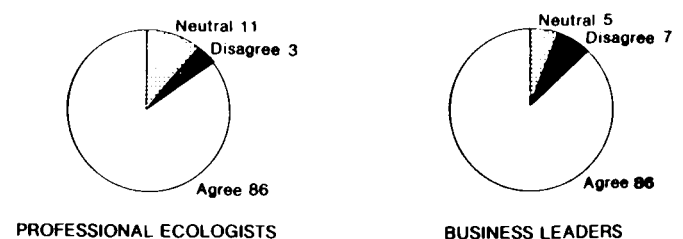


Figure 1 Responses to the statement, business companies in South Africa should fund programmes to the benefit of society out of money that would otherwise be part of shareholders' profits. $P = .94$ (Agree versus Neutral/Disagree).

Almost all of the respondents who did not agree with the statement commented to the effect that it would be 'nice' were the companies to do so, but that the statement was too strongly worded. Two of the business leaders who disagreed did so because they thought that the phrasing of the statement should have been, 'Profitable business companies...'

Clearly the issue was not whether to support corporate social funding, but rather the degree of support that is appropriate. Discussion revealed definite differences between the ecologists and business leaders as to what percentage of after-tax profits they thought should be devoted to corporate social funding. The answers of the ecologists fluctuated from 2% to 50%, with a mean of 14,5%. The range for the business leaders was from 0,75% to 10%, with a mean of 3,0%. Many had difficulty answering the question. Some said that it depended on the profitability and stability of the company — that one could expect a greater degree of support from an established company than from those that are 'less mature' (Dr F. du Plessis, pers. comm., *et al.*). Other business leaders were reluctant to prescribe for business as a whole, limiting their comments to their own companies. Still others were not prepared to answer, perhaps because they were not willing to divulge the extent of their support of social funding programmes.

Despite the difficulty of generalizing about the level of after-tax profits that should be devoted to corporate social funding, there is clearly a difference between the ecologists and business leaders as to the appropriate amount. The extent of the ecologists' knowledge of business matters is an important factor here, evidenced by the inability of some of the ecologists advocating a high after-tax percentage for corporate social funding to even vaguely approximate what such a percentage would translate to in monetary terms. (In similar vein, Bennett (1976) reported that the average Canadian believed that the manufacturer's profit in 1975 was 34 cents per sales dollar, whereas a fair profit would be 19 cents. While not knowing the overall average, he reports that the motor industry achieved 2,8 cents on the dollar.) A further factor must be that it is easier to prescribe when not bearing the responsibility, as is the situation of the ecologists. On the other hand, the business leaders are certainly not of one accord on this issue.

The business leaders, almost without exception, spoke of corporate social funding as being in their 'enlightened self-interest' (Bennett, 1976) — a common sentiment being that, 'We're funding a stable future for our corporation'. These comments were almost always directed at the socio-political spheres (in keeping with their funding programmes), rather than at the environmental sphere.

A concern raised by several ecologists was that social funding can be 'blood money'. Their contention was that a company responsible for extensive environmental degradation might attempt to buy respectability by the funding of environmental programmes, or of environmental societies that aim to be watchdogs. Such corporate funding is perceived to be a smokescreen, and

possibly of far less worth than the costs of the degradation. The oil companies, in particular, appeared to suffer under this suspicion. Thus it was that several ecologists who felt that only a fraction of after-tax profits should be spent on corporate social funding qualified this with the statement that they would rather see companies being more responsible (environmentally and otherwise) in conducting their businesses. (An ironic twist here is that if such funding is a smokescreen, it may well be perceived to be in the shareholders' interests, for there would be fewer profits to be distributed were the company to take adequate environmental responsibility in its business activities!) A comparison of interest is that respondents in the survey of readers of the Harvard Business Review (Brenner and Molander, 1977), which covered broader issues of corporate social responsibility, rated 'Being an efficient user of energy and natural resources' and 'Assessing the potential environmental effects flowing from the company's technological advances' as the two most important areas of responsibility — well ahead of social funding.

While the arguments by business executives defending corporate social funding are regarded with scepticism by some commentators (e.g. Bower, 1989; Reynolds, 1989), it should be noted that several other sections of the study questioned the environmental impact of business activities (eg. Preston, Fuggle & Siegfried, 1989a; Preston, 1989). The findings suggest that the business leaders are concerned that their companies act in an environmentally sensitive manner, within the constraints of inevitable environmental change as a result of business development. A strong sentiment was that, where possible, social costs should be absorbed into

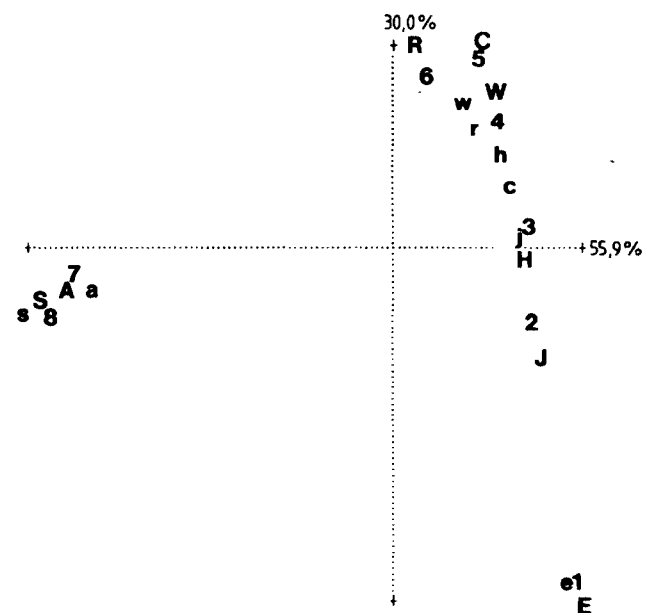


Figure 2 Perceptual Map showing the ranking of eight spheres of activity for apportioning corporate social funding. Note that the lower case symbols refer to the professional ecologists, and the upper case symbols to the business leaders. The numbers refer to the rank positions. See Table 1 for the legend explaining the symbols.

production costs — affirming corporate social responsibility.

Of course, some business leaders are less concerned with social responsibility than are others. This quotation recounted by Fuggle (1988) illuminates the limitations of some business leaders' concern for environmental responsibility: 'In conversation with a senior executive from a large company that fosters a corporate image of being "concerned for conservation", I asked from genuine interest: "In what ways is your company able to practice conservation principles in your day to day affairs?" "Oh, we don't try to practice conservation ourselves", was the reply, "we only support conservation by giving money to the xxxx, it's their job to do the conservation"'. Such a view accords with the contention of one business leader, that 'A lack of awareness is the problem among business executives, far more so than a lack of concern'.

Whether corporate social funding should be tax deductible was raised in discussion. A few respondents, more often ecologists, believed that this is merely shifting the onus to deal with social concerns from the government to individual companies, and questioned the effectiveness of doing so. A more common stance from both groups, supportive of tax deductions, was that the South African government is inefficient and/or morally wrong in the social structures it has created, and that business companies would make a better job of such social funding. (Some business leaders said that they generated much of the money, and should have a greater say in its utilization.)

Apportionment of corporate social funding in South Africa

Given the acceptance of corporate social funding, Figure 2 shows the Perceptual Map of the ecologists and business leaders' ranking of how they would like to see corporate social funding apportioned in South Africa at present, based on the data presented in Table 1.

The ecologists revealed a particular concern for boosting *education*, ranking it significantly ahead of the other seven options addressed. A prevalent comment was that by boosting *education*, many of the other concerns (including *environmental conservation*) would benefit. Respondents were thus asked where the primary focus should be, given the inter-relationships and consequent ripple effects. Using the Wilcoxon matched-pairs signed-rank test, the ecologists' rating has *environmental conservation* significantly behind *education* (taken by most respondents to be primarily Black education), and significantly ahead of *sport*, *the arts*, *rural development* and *health and welfare*. There is no significant difference between the ecologists' rating of *environmental conservation* against *job creation* or *housing*. It is noteworthy that the ecologists' rankings do not appear to over-emphasize *environmental conservation*. If *the arts* and *sport* are omitted (their scant support from both groups is very apparent in their positions on the Perceptual Map), slightly more than half of the ecologists rate *environmental conservation* in the bottom half of the remainder of spheres.

Table 1 Overall rankings by the business leaders and professional ecologists to the question, Please rank the following eight spheres in terms of *how you would like to see corporate social funding apportioned in South Africa at present*. Note that the probability value is relative to *environmental conservation*. The legend refers to the symbols used in the perceptual map in Figure 2.

	Business leaders	First	Second	Third	Fourth	Fifth	Sixth	Seventh	Eighth	Prob
E	Education	62	20	11	4	0	1	0	1	.00
J	Job creation	23	32	20	11	7	3	0	3	.00
H	Housing	10	24	37	11	7	6	1	3	.00
W	Health & welfare	0	12	20	28	21	14	3	1	.02
C	Env. conservation	1	8	9	22	28	28	2	1	—
R	Rural development	1	2	3	20	29	30	7	7	.01
A	The arts	1	2	0	2	4	6	45	39	.00
S	Sport	1	0	0	0	1	9	36	52	.00
<hr/>										
Professional ecologists										
e	Education	59	21	9	6	0	2	0	3	.00
j	Job creation	15	16	25	19	16	5	1	3	.24
c	Env. conservation	8	21	19	22	14	13	2	1	—
h	Housing	6	19	17	18	22	14	3	1	.33
r	Rural development	8	9	15	11	21	30	4	2	.00
w	Health & welfare	5	7	12	21	23	24	7	1	.00
a	The arts	1	5	3	1	2	7	54	27	.00
s	Sport	0	0	0	3	1	4	28	64	.00

A concern was that the business leaders might have ranked *environmental conservation* in a higher position than they genuinely believed it warranted. However, their rankings, and the manner in which they answered the question, seem to belie this. The business leaders were resolved that *education* be the major recipient of corporate social funding. They, too, rated *environmental conservation* significantly behind *education, job creation* and *housing*, as well as *health and welfare*, and significantly ahead of *sport, the arts* and *rural development*. Almost all of the business leaders who were asked said that their actual support of the given spheres matches their ranking of the above spheres. Of course, being a ranking, it is not possible to indicate the ratios, and a number of respondents emphasized that certain of the spheres (most often *education, job creation* and *housing*) received the vast proportion of their corporate social funding.

Respondents were asked if any other spheres of activity immediately sprung to mind as being very worthy of corporate social funding, and 38 ecologists and 32 business leaders answered 'Yes'. In most cases the answers fell within the categories given, but were recorded so as to highlight particular concerns. Topping the list for the ecologists were population control (13 respondents), research (13), socio-political development (4) and urban development (4). The business leaders' chief concerns were welfare (11), socio-political development (9) and population control (7). Of interest is that only one respondent mentioned legal aid as a worthy sphere, yet a recent Financial Mail survey (1988) of a few select businesses highlighted this concern.

In a different section of the questionnaire it was established that both professional ecologists and business leaders believe that human population growth has reached a critical stage in South Africa, and is the single most serious conservation issue (Preston, Fuggle & Siegfried, 1989b). Their disquietude is reflected in the number of times it is mentioned, although very few business leaders said that their companies are actually devoting funds to this issue. While there is evidence that raising the standard of living does impact positively on population control, a strong argument can be made for population growth being a root cause of socio-economic concerns such as unemployment, inadequate education and training skills, housing shortages, and insufficient

provision for health and welfare. These are reasons why the low level of actual support for population control is regarded with apprehension by professional ecologists.

In this same section it was found that both groups rated *environmental conservation* as of lesser priority than *education, job creation* and *housing* as serious issues facing South Africa, with the business leaders also feeling that *health and welfare* was more important. The business leaders' rankings of spheres worthy of corporate social funding are thus in line with what they see as the priority issues in South Africa. The professional ecologists, on the other hand, would seem to differentiate more between the priorities for government funding and corporate social funding. They rated *health and welfare* and *environmental conservation* as equal priority issues in South Africa, yet felt that more corporate social funding should be devoted to the latter. Similarly, they regard *job creation* and *housing* to be greater priority issues than *environmental conservation*, but feel they should be equal beneficiaries of corporate social funding. It should be noted that some business leaders felt that certain spheres were the responsibility of the government, and are outside of the ambit of corporate social funding (e.g. the business leader who ranked *education* eighth — see Table 1). This might account for their low emphasis on corporate social funding of *rural development* — also considered by both groups to be among the most important foci for *environmental conservation* in South Africa (Preston, Fuggle & Siegfried, 1989b).

Corporate social funding of environmental conservation

Most ecologists believed that the current contribution of corporate social funding to *environmental conservation* in South Africa should be higher. Although this viewpoint was not as strongly supported by the business leaders, there were nonetheless significantly more among them who favoured a higher contribution than those advocating that it should stay as it is and those responding 'Don't Know'. No respondent in either group thought that it should be lower (Figure 3).

When asked what was stopping them devoting more to *environmental conservation*, business leaders favouring a higher contribution said that their company was making an appropriate contribution, but that other companies were not doing so. Two of the respondents pointed to company image as the reason for a funding programme

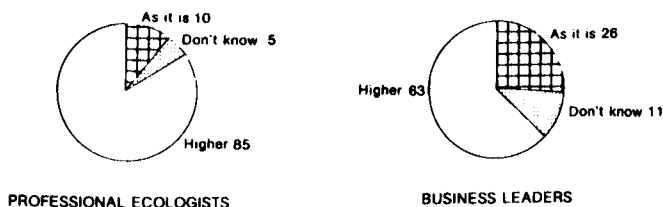


Figure 3 Responses to the question *Do you think that the current contribution of corporate social funding to environmental conservation in South Africa should be higher, or lower, or about the level it is?* P < .01 (Higher versus As it is).

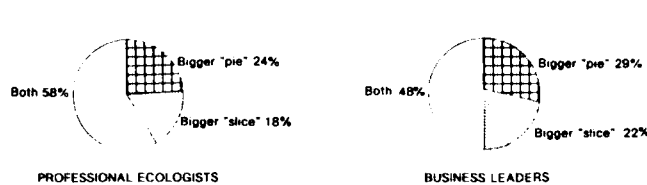


Figure 4 Responses to the question, *If higher, should this be brought about by environmental conservation having a bigger slice of the corporate social funding 'pie', or by increasing the size of the pie, or both (a bigger slice of a bigger pie)?* P = .40 (d.f. = 2).

out of focus with their preferred allocation — one saying, 'Environmental conservation is low in Sullivan Code Brownie Points'.

Most of the ecologists and business leaders who agreed that the contribution to conservation should be higher said that this should be brought about by a bigger slice of a bigger pie (Figure 4).

By extrapolation, this means that at least 69% of the ecologists, and 48% of the business leaders, believe that the level of corporate social funding in South Africa is insufficient. (This is a minimum figure, as respondents may think that the overall contribution is too small — but that spheres other than *environmental conservation* should be the beneficiaries.) Most of those saying that conservation should get a bigger slice of the pie said that this should be at the expense of spheres they rated as lower, most usually *the arts* and *sport*. However, some said that it could be at the expense of some higher-rated spheres, without this changing their ranked order.

Shareholders reactions to corporate social funding

The professional ecologists were irresolute as to whether *shareholders in listed companies in South Africa would not favour the company supporting conservation through a corporate social fund*. This is perhaps indicative of the lack of interaction with business by some of the ecologists. However, the business leaders were very much more sure of their mandate (Figure 5).

This assurance of their mandate is typified in the views of O'Dowd (1989), who points to explicit provision for corporate social funding in the Articles of Association, and adds, 'In all the years I have been connected with the Anglo American Corporation Group Chairman's Fund, the number of letters received from shareholders objecting to its operations can be counted on the fingers of one hand'.

Within-group analysis

Establishing the significant determinants of differences within the two groups is hampered by the small sample sizes (even though the samples represent over 70% of the individuals in each of the universes). No one condition variable revealed a significant difference for more than one question. For example, those business leaders from 'primary impact' businesses were significantly more in favour ($P = .05$) that *the current contribution of corporate social funding to environmental conservation in South Africa should be higher* than were the 'secondary impact' business leaders. However, the likelihood of differences occurring by chance when testing so many condition variables makes it prudent to treat such variation with circumspection.

Conclusions

Widespread support for the notion of corporate social funding is revealed in this survey, although there are significant differences between, and within, the professional ecologists and business leaders as to an appropriate level of support. There is sympathy for such funding to be tax deductible.

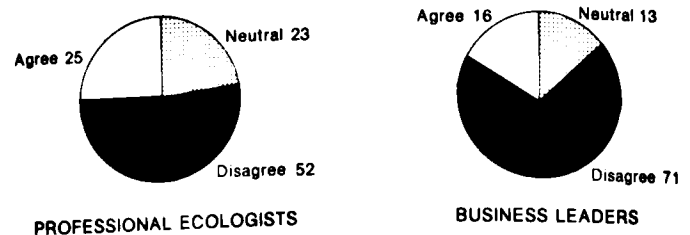


Figure 5 Responses to the statement, *Shareholders in listed companies in South Africa would not favour the company supporting conservation through a corporate social fund*. $P = .01$ (Agree/Neutral versus Disagree).

A definite difference in emphasis for corporate social funding emerges, with the ecologists regarding support of *environmental conservation* to be more pressing, relative to other concerns, than do the business leaders. The professional ecologists appear to believe that corporate social funding should concern itself less with *health and welfare, job creation and housing* and more with *environmental conservation*, relative to their statuses as priority issues in South Africa. The business leaders, on the other hand, mirror their corporate social funding priorities on what they regard as the priority issues in South Africa — effectively backing-up government efforts to address these issues.

The greatest disparity between the two groups is that the ecologists regard *environmental conservation* as being worthy of greater corporate social funding than *health and welfare*, whereas the business leaders rank them the other way around. Furthermore, ecologists would have *environmental conservation* on a par with *job creation and housing*, while business leaders would not give it as big a slice of the corporate social funding pie. Both groups regard *environmental conservation* as a more needy cause to support than *rural development*, although the ecologists place a greater emphasis on this sphere than do the business leaders. *The arts and sport* are not deemed to be priority spheres by either groups.

Despite rating the need to support *environmental conservation* as less important than some other concerns, the majority of business leaders agreed that it should be receiving greater funding from companies. They voiced support for increasing the overall level of corporate social funding by business companies, and hence benefitting *environmental conservation*, as well as for increasing the proportion of the overall funding it receives. A stronger majority of ecologists concurred with these views. The consensus was that shareholders would support this directive, although many of the ecologists did not regard themselves as competent to judge this.

The responses of both groups to corporate social funding in general, and of *environmental conservation* in particular, appear to be balanced assessments from divergent perspectives. Evidence of a genuine regard for environmental concerns by business leaders is referred to — suggesting that corporate social funding of *environmental conservation* (inter alia) is not merely

'blood money'. For their part, the professional ecologists do not over-emphasise *environmental conservation* as a cause for corporate social funding.

The regard for corporate social funding support of *population control*, acknowledged to be the most serious conservation issue in South Africa at present, and at the root of many socioeconomic concerns, is offset by the low level of actual support for this issue.

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