Corporate Social Responsibility in the IT Industry

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This report investigates the attitudes and responses of the IT sector to issues surrounding the digital divide and examines the extent to which this relatively new industrial sector has embraced the concepts of corporate social responsibility.
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We were inspired to develop this paper because the Internet is now having such a profound effect on all our daily lives, both in business and personally. The main aims of this research are to establish how much social responsibility is accepted by the information technology sector in this new digital age and to understand the strategies of the individual companies.

The initial research was undertaken by ICM Research in London and analysed by Professor Paul Foley and Dr Chanaka Jayawardhena of De Montfort University.

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Foreword

Information technology has been one of the most empowering developments of the last 25 years, and has allowed communication on a global basis in a manner never previously envisioned. However, in its wake some of the less advantaged in society have found themselves on the wrong side of a digital divide. There can be little doubt that IT companies are best placed to make a genuine difference in tackling this problem, utilising their expertise for the benefit of the whole of society.

Sadly, though, the IT sector is still very much in its infancy, compared to more traditional sectors, when it comes to corporate social responsibility. This is why we at Microsoft felt it was important to commission this important piece of research in conjunction with Citizens Online. We hope the research will help generate much needed debate and a focus on CSR from within the IT sector.

Society’s expectations have changed, as indeed have the expectations of customers, partners and employees, and being a socially responsible organisation is much more important than ever before.

There is no single absolute definition of corporate social responsibility and one size definitely does not fit all. Microsoft’s vision - to empower people through ‘great software, anytime, anywhere and on any device’ - is also at the heart of our corporate social responsibility ethos. We are working hard to create a programme that will reflect our intrinsic values - our passion for technology, our belief that if you provide people with the resources they need then they can accomplish great things, and our determination to respect individuality whilst creating a challenging and rewarding environment.

The IT sector might still be youthful but it is sometimes the long term view which yields the most rewards - and it is with this approach we must work together to improve our CSR activity as an industry.

Oliver Roll
Director of Marketing
Microsoft Ltd
Key issues

- Less than 25% of IT companies have a clear strategy for corporate social responsibility (CSR).
- Three quarters of IT companies recognise that the environment in which they operate has changed since the advent of the Internet, but few have changed their attitude to CSR as a result.
- Only 1 in 6 IT companies support Internet access initiatives for the disadvantaged.
- Most IT companies are scathing about the low level of charitable contributions made by industry as a whole and the IT sector in particular.
- Most IT companies consider charitable contributions to be a prime target for spending cuts if there is a downturn in turnover and profits.

'We recognise the need for a certain responsibility, all corporations have a social responsibility.'
Marketing Manager, Integrated solutions supplier

'Corporate social responsibility is above all a matter of the values, culture and leadership of business.'
Patricia Hewitt, Secretary of State for Trade and Industry

'It is awful to say but the time taken on charitable events is time that could be taken in promoting the company.'
Corporate Manager, software manufacturer

'Right across the world companies are recognising the clear business benefits of adopting a socially responsible approach.'
Douglas Alexander, Minister of State for e-Commerce and Competitiveness

'I have such a strong brief not to contribute to charitable donations.'
PR Manager, IT solutions provider

'Microsoft recognises the importance of corporate social responsibility to business competitiveness.'
Oliver Roll, Director of Marketing, Microsoft

'The Internet is changing society, but it will not affect our views on charitable contributions.'
Charity Administrator, computer network supplier

Thoughout this document the term ‘charitable contribution’ does not relate just to donations to charities but to all those activities which companies support either with money or in kind for which there is no direct profit motive.
Introduction

The advent of the Internet is having a profound effect on the way we do business, communicate and organise our lives. For those with access and the necessary skills and motivations, the Internet is opening up new and exciting opportunities. But for others, without help, the Internet will amplify social inequalities. Commentators are predicting that without public-private assistance, the Internet will continue to foster a digital divide.

This report investigates attitudes and activities of the IT sector to issues surrounding the digital divide. It also examines the extent to which this relatively new industrial sector has embraced the need to accept corporate social responsibility.

Rapid advances in communications technology, globalisation and the growing influence of the consumer and civil society, have raised the importance of corporate social responsibility in many businesses. Many now recognise that they have responsibilities that go far beyond simple compliance with the law.

This is the first in an annual series of studies examining attitudes towards corporate social responsibility in the IT industry. Directors and senior managers from 220 businesses were interviewed to find their views about corporate social responsibility and the contribution their businesses make in addressing issues concerning the digital divide and for other environmental, social, arts, community and sporting activities. The businesses ranged in size from two employees to 20,000; the sample of companies interviewed was drawn to be representative of larger IT businesses with more than 50 employees.

Section 1 provides a definition of corporate social responsibility, and an overview of the context and activities that businesses utilise to demonstrate corporate social responsibility.

Section 2 examines the charitable contributions made by IT businesses and how they become involved with charitable and community groups.

Section 3 explores why companies make charitable contributions, the benefits that accrue to these businesses, and the barriers that prevent further activities.

Section 4 analyses the characteristics and views of non-contributing companies, and investigates factors that might encourage them to make charitable contributions in the future.

Finally, Section 5 provides an overview of results and the key issues that could promote corporate social responsibility in the future.
Commentators have defined corporate social responsibility in a variety of ways. Most believe it is founded on good corporate citizenship or the acknowledgement by businesses that they need to understand and manage the business's wider influences on society for the benefit of the company and society as a whole (Marsden and Andriof, 1998).

Andriof and McIntosh (2001) suggest that corporate social responsibility requires corporate leaders to understand that everything a company does has some flow-on effect either inside or outside the company, from customers and employees to communities and the environment. They suggest that these impacts have a ripple effect on society that can be divided into three broad overlapping areas. These are:

- **Social** - involvement in external social issues such as education, social inclusion, regeneration and employee volunteering.
- **Economic** - addressing issues relating to jobs, ethical trading standards and product value.
- **Environment** - consideration of emissions and waste control, energy use, product life cycle and sustainable development.

Whilst all these areas impinge on society as a whole, the relationship of each with the community is different. Economic and environmental issues are largely addressed and implemented from within a business. Social issues require closer liaison, and sometimes partnership, with external groups to address issues such as the digital divide, which is the main focus for this research project. The remainder of this report therefore focuses on the social aspects of corporate responsibility.

Management writers suggest that corporate social responsiveness is a business's capacity to respond to social pressures. Several have noted that to be effective, corporate philanthropy requires a strategic approach to charitable contributions. Garvin (1982) claimed that a well-managed programme of corporate philanthropy requires a set of goals and objectives; guidelines for determining how much money will be allocated to the programme; criteria for making grants and for evaluating their use; and either in-house professional staff or access to competent consultants.

It is important to stress that throughout this report the expression ‘charitable contribution’ does not just relate to charities. The term includes other non-charitable organisations, groups or individuals. Nor is the term ‘contribution’ limited to financial contributions. In the IT industry it can also include the donation of computers or other IT equipment, access to a company's site or training facilities to enhance local skills, the involvement of IT business employees with local organisations and other forms of help ‘in-kind’. Financial contributions were relatively easy to define during telephone conversations with the businesses interviewed for this research. However, this report also highlights the importance of other activities.

Management writers have encouraged the link between charitable contributions and business objectives. Wilson (1982) noted that increased
professionalism can result in a more focused approach to giving as businesses expand their contributions programmes. Professional contributions managers can define the educational, cultural, and social commitments that best serve society and the needs of the company. Since business and social environments change regularly this requires companies to monitor, analyse and react to changing business and social environments.

Effective corporate philanthropy and good corporate responsiveness, from both a business and societal viewpoint, requires the integration of contributions management into the overall strategic planning of a business. The remaining sections of this report investigate, for the first time in the UK IT sector, how closely the activities of businesses match the good operating principles highlighted by academics and other commentators.
What businesses provide in the form of charitable contributions and how

Introduction

This section examines the results of interviews with 220 IT businesses in the UK. Two hundred of these businesses were contacted for a telephone interview between 17 May and 4 June 2001. During the same time period 20 case study businesses participated in face-to-face interviews to examine in greater depth business attitudes to corporate social responsibility. The views of these case study businesses are used to provide further details about how companies formulate policies for corporate social responsibility and to examine the factors that influence company attitudes.

The 200 businesses contacted for the telephone interviews ranged in size from two employees to 20,000 (all at locations in the UK). The sample of companies was drawn to be representative of larger IT businesses with more than 50 employees. One hundred and seventy-nine businesses with more than 50 employees were interviewed.

Seventy-three per cent of businesses (119 out of 163) that made charitable contributions stated that they provided assistance on an ad hoc basis. Only 27 per cent of businesses (44) had a corporate policy for making contributions. Figure 2.1 shows that it is mainly larger businesses that have developed corporate policies. Nonetheless, 42 per cent of businesses (8 out of 19) that contribute more than £20,000 per annum do so on an ad hoc basis.

Interestingly, the majority of the 20 case study businesses that took part in the longer face-to-face interviews also stated that decisions were largely made on an ad hoc basis.

Businesses were asked about how they managed corporate social responsibility matters, and how charitable contributions were administered. As Figure 2.2 shows, the dominant method of administration for all charitable contributions, regardless of the size of contribution, was a single individual. Indeed, the methods used to administer charitable contributions were similar, regardless of the level of contributions made by businesses. The only noticeable difference...
is a decline in the number of businesses that ‘had no one in particular’ responsible for contributions as the level of donations increases.

Further analysis by employment size revealed that only in the very largest businesses (i.e. those with more than 5,000 employees) is a central unit to administer corporate responsibility matters more prevalent than an individual manager.

Further investigation of the autonomy of individuals within businesses to make charitable contributions found that in 33 per cent of businesses, one individual has complete autonomy to make contributions. Figure 2.3 shows that individual autonomy decreases slightly with the level of donations made by businesses. Referring decisions for central review is most popular amongst those businesses making contributions between £501 and £10,000 per annum. Above this level of contribution, individuals are usually trusted to work within guidelines and are not required to refer decisions for central review.

The majority of the 20 case study companies also had a single individual in charge of their decision-making process. Some companies created a charity programme committee composed of senior executives and administration managers, which develop their policies for corporate social responsibility, and co-ordinate the administration of charitable donations. In one case the company intends to extend the membership of the committee by including a broader spectrum of employees, so that all levels are involved in their
Interviewees were asked to allocate themselves to one of seven 'bands' for contributions. The estimate of £591,000 was calculated using the minimum amount in each 'band'. An alternative calculation taking the mid-point value for all 'bands' suggests a figure in excess of £750,000.

Eighty-two per cent (163 companies) of 200 businesses in the IT sector contacted for the telephone interviews were currently making charitable contributions. The monetary value of contributions they made in the past year was at least £591,000. Twenty-four businesses (19 per cent) of the 126 that gave details of their charitable contributions provided over £10,000 to organisations last year. Figure 2.4 shows that this group mainly comprised larger businesses, but it also included three smaller businesses with between 51 and 100 employees. As one would expect, larger businesses generally made higher charitable contributions than their smaller counterparts.

Amongst the 20 case study companies, those with explicit guidelines for charitable contributions normally divide their contributions budget into three components. These were usually allocated activities such as:

- **External requests** - for many businesses this was the primary budget to undertake planned partnership activities with organisations and to meet reasonable ad hoc requests.
- **Fund raising events** - support for and organisation of fund raising dinners, sports competitions and other fund events.
- **Matching funds** - several of the case study businesses had schemes whereby they would match employee contributions for selected organisations.

Only 33 respondents (22 per cent) knew what proportion of turnover the business's charitable contributions represented. All except two interviewees suggested that contributions represented one per cent or less of turnover.

None of the case study interviewees knew the ratio between charitable contributions and turnover. Several suggested this was because they only worked in the area of corporate responsibility and they had no knowledge of the wider aspects of the company’s operating activities. Others noted that their branch or business was part of a multinational company and turnover was not segregated on a country-by-country basis. Two respondents highlighted that their company did not measure contributions in terms of turnover, but instead

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* Interviewees were asked to allocate themselves to one of seven ‘bands’ for contributions. The estimate of £591,000 was calculated using the minimum amount in each ‘band’. An alternative calculation taking the mid-point value for all ‘bands’ suggests a figure in excess of £750,000.
placed greater emphasis on employee participation. Further details regarding employee participation strategies are given in the next section.

It is worth remarking that the level of charitable contributions has increased during the last two years. Contributions from half the businesses interviewed by telephone (that provided details about past trends) had stayed the same, but 42 per cent of businesses stated that their contribution had increased. Figure 2.5 shows that those already making large contributions recorded the highest levels of increase.

Figure 2.5
Change in charitable contributions made by businesses during the last two years

Figure 2.6
Change in charitable contributions predicted for businesses during the next two years
Figure 2.6 demonstrates that this trend is expected to increase, but at a slightly lower rate in the future. Fifty-nine per cent of interviewees expect their level of contributions to remain stable during the next two years. Thirty-eight per cent expect contributions to increase and only three businesses (3 per cent) expect their level of contributions to decrease. Figure 2.6 shows that the larger proportion of businesses expecting an increase in contributions can be found amongst those already making contributions of £10,000 or more.

All the case study respondents stated that the level of future contributions would be dependent on future profitability. Almost all predicted an increase in profitability and a corresponding increase in contributions. Whether these predictions and growth in contributions will be borne out, amidst falling sales and profit warnings coming from the IT sector, remains to be seen.

A number of the case study interviewees, interestingly, noted that their company’s legal status would change in future, mainly from private limited liability status to public limited status. It was suggested that this would require them to play an increasing role in society. The case study companies that do not currently make any contributions also shared this view about the catalytic impact of changing company status.

Telephone interviewees were asked for their views about the level of charitable contributions made by businesses. Overall, 72 per cent thought that UK businesses made too few contributions (see Figure 2.7). Of the 114 interviewees that responded to the question, only one thought that too many companies made contributions. The views of interviewees were broadly similar whatever the size of company or the level of contributions made.

It is also interesting that far fewer interviewees (67) responded to this specific question about ‘their’ industry than answered the question about all UK sectors (114). However, of the 67 that did respond, 72 per cent suggested that too few IT companies were making contributions (see Figure 2.8).
is exactly the same proportion as recorded for all UK businesses. This suggests that those that answered felt that the IT sector was neither better nor worse than counterparts in other industries in making charitable contributions.

Figure 2.9 shows the type of organisations and events that businesses making charitable contributions have assisted in the last two years. Donation patterns are broadly similar whatever the level of contributions made by companies.
However, businesses contributing less than £500 per annum in 2001 had a greater propensity to support children’s charities. Businesses making contributions over £10,000 were more inclined to support non-specific charities or other activities.

An important area for this project is to investigate the awareness of IT businesses about the impact of the Internet and issues concerning the digital divide. A specific focus for this work is to investigate whether IT companies have changed their views on corporate social responsibility as a result of the growing impact of the Internet and whether projects targeted at alleviating the digital divide are a particular area of focus for them.

Ninety-five per cent of interviewees believed that the Internet has had an impact on society. However, 72 per cent (of those that responded) did not think that this had affected their company’s view on charitable contributions (see Figure 2.10). The only other significant impact was thought to be easier access to information about charitable groups and easier communication with them. Other impacts, shown in Figure 2.10, included easier consultation with employees about charitable contributions and improved decision making.

Since interviewees suggested the Internet had little impact on their charitable contributions, it was important to examine the extent to which their contributions focused on IT projects. Just over half of all interviewees (85 out of 163 making contributions) were able to comment about the projects that their businesses supported.
Figure 2.11 shows that the level of input to IT projects was limited. Twenty-five per cent of businesses (21 out of 85 responding) were involved in projects to assist communities or other groups to develop IT skills. A quarter of businesses (22 out of 89 responding) were also involved in projects to assist communities or other groups to access IT hardware. Only 15 per cent (13 out of 89 responding) had assisted communities or other groups to have online Internet access. The smallest area of assistance was to help households or individuals to have Internet access from home, only four out of 98 businesses were involved in this type of support.

These results indicate a higher level of interest in IT projects amongst those businesses that make the highest level of contributions. However, the overall level of support for projects to overcome the digital divide and enable access from home is limited.
Section 2 examined how businesses administer corporate social responsibility issues, and the level of support they offer to different groups. This section explores why companies make charitable contributions, the benefits that accrue to them, and the barriers that prevent further activity.

When businesses were asked for the important factors that influenced charitable contributions, all interviewees thought that benefiting society was more important than company-oriented reasons, such as improving customer relations or improving the company’s image (see Figure 3.1). However, it is notable that these other factors were more readily appreciated by businesses that had given larger contributions during the last year.

While altruistic reasons feature as the most important factors when businesses consider making charitable contributions, the key benefits they receive from making contributions are more concerned with advantages to the company. A variety of benefits were mentioned by interviewees (see Figure 3.2). But 32 per cent of the 117 interviewees that provided an answer thought that the main benefit was to promote the company’s image or profile.

As Figure 3.2 shows, this view was not held equally amongst all businesses. Half of the businesses contributing less than £500 felt that company image was the most important benefit from making contributions. Those that made higher levels of contributions, particularly those that provided more than £5,000 per annum, generally held a more altruistic view of the benefits from
making contributions. More than half of these companies suggested that ‘giving something back to the community or society’ and ‘supporting the local community’ were the key benefits. Just under a quarter of businesses (23 per cent) believed that a key benefit of making charitable contributions was to boost staff morale and raise the ‘feel-good’ factor within the company. This view was fairly evenly held across all groups analysed in Figure 3.2.

The majority of the case study businesses receive requests from specific groups or organisations for assistance. If these needs coincided with company policies and the business could help, the group was likely to receive a favourable response. For example, one interviewee stated that ‘if someone like Age Concern wanted help to create a database we might be able to help, otherwise we may assist with a few promotional activities. We also help a local school where we train children to use the Web’.

Many of the case study respondents felt that if a customer recommends a charity to the company, they would carefully consider supporting the organisation. This was seen as an important way of enhancing the customer’s perception of the business. The influence the customer can exert increased in proportion to the importance of the customer to the business. Some interviewees stated that increasingly many corporate customers want everyone in their supply chain to become involved with charitable contributions.

As the preceding example showed, enhancement of a business’s reputation or profile is an important consideration when making charitable contributions.
There was a common perception amongst the case study interviewees that their business’s reputation was enhanced by increasing its association with charitable institutions. Most felt that making contributions was most beneficial in increasing the business’s profile and reputation at a local level. However, it was difficult to gain publicity at a national level through charitable contributions. Most interviewees felt that it was extremely important to play a constructive role in the local neighbourhood and amongst the local community, especially with public sector institutions such as schools and hospitals.

Many of the case study businesses are far more willing to make contributions if their employees are directly involved in a project, for example, through sponsored marathons or other events. In addition, some businesses had adopted policies to promote employee participation in charitable activities. Interviewees felt that employee involvement had several benefits. It could develop employee skills and experience, enhance staff morale, and create a culture of well-being within the business.

One company has developed a policy that matches any charitable contribution (and in effect doubles the amount donated) raised by an employee. This has created a culture that actively encourages charitable activities amongst the workforce.

Several of the case study businesses encourage staff to undertake voluntary work for charities and other groups. These contributions are not just limited to charitable financial contributions; several also enable employees to undertake activities ‘in work time’. This type of support builds employee morale and creates a culture that is beneficial to the business and the society at large.

Section 2 highlighted that some businesses have adopted a formula for charitable contributions that is based on employee involvement rather than monetary contributions. In these case study businesses, employees often have much greater involvement in identifying and making decisions about charitable contributions. An example of wider employee involvement is provided by one of the case study businesses. Every morning the company provides employees with a free breakfast. Staff agreed to forego breakfast for a week, and the monetary value of all breakfasts was donated to charity. Another company received widespread employee support for a custard pie-throwing event; company directors were the victims. Other case study businesses donated contributions from summer balls and other events to charity. The businesses believe that this is an effective method of increasing employee involvement and making nearly all staff feel that it is their efforts that are being donated.

Another company has an interesting policy that involves employees in ‘owning’ charitable projects. A committee has been appointed to evaluate projects proposed by employees and to oversee the administration of projects. If the committee selects a project, the employee that proposed it takes responsibility for the project. They have found this ensures there is tight control of funding. It also enhances employee morale through the allocation of added responsibility,
through the ‘receipt’ of funding to support the employee’s ideas, and through the satisfaction they receive from successfully completing the project.

Several of the case study businesses noted that employee involvement in charitable activities and contributions in partnership with the business enhanced employee satisfaction through the knowledge that their contribution, and the company they work for, had actively assisted disadvantaged groups or other charitable organisations.

The company whose employees ‘own’ charitable projects views this as an essential component of their corporate social responsibility policies because it develops the concept of a ‘good citizen’, which is one component of the corporate goal. Several businesses believed that they did not publicise charitable contributions sufficiently within the company. Most expressed their desire to involve their employees more in future.

An issue of some concern is that a small number of the case study interviewees did not understand the benefits or merits of corporate social responsibility. While this might be expected in businesses that did not make charitable contributions, it was surprising that one of the case study interviewees also held this view. They commented, ‘it is awful to say, but time taken on charitable events is time that could be better used promoting business activities’.

Few businesses could cite any disadvantages to making charitable contributions. Indeed, when asked, 58 per cent (72 of the 124 that answered) suggested there were ‘no disadvantages’ (see Figure 3.3). The primary
disadvantage was thought to be other charities and organisations asking for contributions. Other concerns were financial costs with little or no returns, and time constraints. The disadvantages recognised by interviewees were held equally between all types of businesses; those that contributed more had similar views to those that gave only a few hundred pounds each year.

The primary barriers inhibiting businesses from making more contributions were internal to the company (see Figure 3.4). These mainly concerned a lack of financial resources and limited experience in dealing with charitable and other organisations. Other barriers were thought to be ethical reasons and Government policy. However, as the next section shows, views towards Government were generally encouraging.

Limited funds for charitable donations were also thought to be the largest barrier by the case study businesses. All interviewees noted that requests for assistance exceed the funds they have available. Rather worryingly, amidst the current downturn in turnover and profits amongst many IT businesses, most interviewees felt that in times of declining profitability charitable contributions were one of the first targets for spending cuts.

None of the interviewees saw any ethical barriers to charitable donations. The only exception to this rule was a large concern that nearly all the case study businesses had in supporting charities or other organisations that had political associations or affiliations.

Figure 3.4
The main barriers that inhibit businesses from making charitable contributions
A number of businesses felt that administration, evaluation and management of charitable contributions took up a relatively large proportion of the company’s time and other resources. However, some also added that a lack of clarity in internal policies was hindering charitable contributions. Most expressed a hope that in future their business would adopt clearer policies.

Another barrier perceived by some of the case study businesses was that their company was too passive and that contributions were only made when the ‘right’ organisation approached the business for support. Several suggested that the business had clear policies for the type of organisation they would support, but they did very little to actively find suitable organisations. It was also notable that few businesses sought organisations that could best make use of the skills and other resources that the business had allocated to support charitable groups.

Most of the telephone interviewees had a neutral view of Government’s attitude towards companies that make charitable contributions (see Figure 3.5). However, the attitude of companies that made larger donations was more positive, 42 per cent of those contributing more than £10,000 felt that Government was encouraging contributions.

Finally, interviewees were asked what single thing would most encourage their business to make more charitable contributions. The most important factor in all the groups of businesses shown in Figure 3.6 was the availability of funds.
Amongst businesses that gave more than £5,000 per annum the second most important factor was Government help and assistance. This was not given such a high level of importance amongst other businesses. Indeed, the second most popular answer given by interviewees in those companies that gave less than £5,000 per annum was that they could not think of anything that would encourage their business to make more charitable contributions. More than a quarter (27 per cent) of interviewees in businesses that gave more than £10,000 per annum stated that more participation with charitable organisations would be beneficial.

Figure 3.6
Factors that would encourage businesses to make more charitable contributions
The view of non-contributors

This section investigates the characteristics of the 37 businesses that were not currently making any charitable contributions. It explores the reasons for their decision and examines factors that might cause them to become involved in charitable activities.

None of the companies that were not making charitable contributions had more than 500 employees. This immediately suggests that size could be an important determinant of the ability of businesses to make charitable contributions.

This view was partially confirmed by the fact that 47 per cent of businesses stated that financial constraints were the main reason. However, further investigation revealed that 62 per cent of businesses had simply not considered making a contribution. Their decision appears to be related more to inactivity than any conscious decision not to contribute. Only 38 per cent of businesses stated that their lack of a contribution was due to a policy decision.

Nonetheless, when asked for the characteristics of businesses that might make contributions, many interviewees selected larger IT businesses and suggested that these businesses had larger resources. This view was widespread. However, it is worth noting that while earlier sections of this report suggested that a relationship between company size (employees) and the level of contributions probably does exist, several smaller businesses did make major contributions. For example, two relatively small businesses (with 65 and 80 employees) were amongst those that contributed more than £20,000 and a business with only 20 employees contributed over £10,000.

It is also interesting that when companies were asked about making charitable contributions in the future there was no relationship between company size and the likelihood of making future contributions (see Figure 4.1). Indeed, it is notable that the group least likely to make contributions in the future are those companies in the second largest size band with between 101 and 200 employees.

Non-contributing companies were less critical of the level of charitable contributions made by UK companies than their contributing counterparts (see Figure 2.7). Fifty-three per cent of non-contributing companies thought that too few UK businesses made contributions; the figure for contributing companies was 72 per cent. However, non-contributing businesses were slightly more critical of their own sector; 60 per cent thought that too few IT businesses made contributions, while the figure for contributing companies was 72 per cent.

All non-contributing companies believed that the Internet has had an impact on society, but only one company stated that this had affected the company’s view on charitable contributions.

Non-contributing companies were asked to consider the benefits that would arise from making charitable contributions. None suggested any of the altruistic reasons put forward by the contributing companies that were asked a similar question. Interestingly, non-contributing businesses’ views continued
the trend observed in Figure 3.2 that company image was thought to be the most important benefit from making contributions amongst businesses that made the lowest levels of contributions. The only other benefit that received widespread support was to improve staff morale. Figure 3.2 has been re-drawn to compare these two benefits with the views of contributing businesses (see Figure 4.2). The views of non-contributors confirm the earlier observation that firms making smaller contributions are more interested in benefits relating to their business, particularly raising awareness of their business. The importance of publicity decreases as businesses contribute more money. Those making larger contributions more readily appear to appreciate altruistic benefits, such as ‘giving something back to the community’ or ‘supporting the local community’.

The barriers perceived by non-contributing businesses to making charitable contributions are very similar to those that make contributions (see Figure 4.3). Fifty-five per cent of non-contributors are constrained by internal company barriers; this is exactly the same proportion as the average for all contributing businesses.

When non-contributors were asked for the single thing that would most encourage them to make charitable contributions in the future, the most frequent response was having more funds.
Figure 4.2
The key benefits of making charitable contributions as identified by businesses making different levels of contributions

This figure only presents the relative percentages within each group for two of the benefits presented earlier in Figure 3.2. ‘Giving something back to the community’ and ‘supporting the local community’ have been omitted because none of the non-contributing businesses highlighted these as beneficial.

Figure 4.3
The main barriers that inhibit non-contributing and contributing businesses from making charitable contributions
The businesses interviewed for this research made charitable contributions of at least £591,000 in the last year. In general, larger businesses contribute more than their smaller counterparts. However, it is worth noting that several smaller businesses made major contributions. For example, two small businesses (with 65 and 80 employees) contributed more than £20,000, and a business with only 20 employees donated over £10,000.

Company size might be influential in determining attitudes to corporate social responsibility or the level of contributions. However, amongst those businesses not currently contributing, the group least likely to make contributions in the future were those companies with between 101 and 200 employees.

Forty-two per cent of businesses had increased their level of corporate contributions during the last two years. This growth trend is envisaged to continue in the future: 38 per cent of businesses expect contributions to increase in the next two years. A lack of available funds was thought to be the largest barrier to increasing contributions, and higher profitability would encourage more contributions in the future.

Rather worryingly, amidst the current downturn in turnover and profits amongst many IT businesses, most interviewees felt that in times of declining profitability, charitable contributions were one of the first targets for spending cuts.

The IT businesses interviewed were quite scathing about the level of charitable contributions made by UK businesses. Seventy-two per cent suggested too few were contributing. Their view of contributions from their own industry was exactly the same as for all UK businesses.

Interviewees acknowledged the growing impact of the Internet on society, but for most (72 per cent) this had little impact on their corporate social responsibility strategies. Indeed, only 15 per cent of IT businesses are currently involved in Internet access projects with local community groups and only four are supporting projects to help households or individuals to have Internet access from home. This is surprising since contributions in this area could bring a higher level of direct benefits to the IT businesses than involvement in other environmental, social, arts, community and sporting activities.

One reason for this lack of focus on activities closely related to IT businesses’ products and services was probably the poorly developed strategies for corporate social responsibility. The majority (73 per cent) make contributions to charities and other organisations on an ad hoc basis. Only in the largest businesses, with more than 1,000 employees, have corporate policies been clearly developed and central units or departments established to develop and administer policy.
This lack of attention to corporate responsibility matters was also evident amongst non-contributing businesses. Only 38 per cent had made a conscious policy decision not to contribute. The remainder had usually simply not considered making a contribution.

Well-developed strategies to encourage corporate social responsibility and the development of clear policies for charitable contributions were rare amongst all but the largest businesses interviewed. Many interviewees felt that this lack of ‘direction’ was hindering effective involvement of their business. It is hoped that this report will highlight some of the activities and benefits that can arise from improving policies for corporate social responsibility.

The primary reason for making charitable contributions identified by nearly all businesses was to benefit society. However, the key benefits received by the companies making lower levels of contributions were primarily concerned with promoting the company. Businesses making larger contributions, particularly those contributing more than £5,000, highlighted altruistic benefits such as the merits of ‘giving something back to the community or society’ or ‘supporting the local community’.

Many of the case study businesses felt that making contributions was most beneficial in increasing the business’s profile and reputation at the local level and contributions rarely gained publicity at the national level.

Several businesses had adopted policies to promote employee participation in charitable activities. These businesses were attempting to encourage greater corporate social responsibility throughout their business. A few noted that this created significant benefits to employees and the business through the development of employee skills and experience and the enhancement of staff morale. Some expressed their desire to involve more employees in corporate social responsibility activities in the future.

Few businesses could cite any disadvantages from making charitable contributions. Indeed, 58 per cent suggested there were ‘no disadvantages’.
About the authors

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