# CHARITIES AND COMPANY GIVING : SOME REFLECTIONS

## Introduction

In an article in last year's edition of Charity Statistics I reported on some of the early findings of a research project into the practice and disclosure of company charitable giving[1]. The main questionnaire survey of companies, of which the research described last year was the pilot stage, has now been completed, and a survey of large grant seeking charities has also been undertaken. This article draws on some of the results of the project, and on other work, in discussing the relationship between companies as donors and charities as recipients of funds. While the focus is on company giving, many of the points apply to other sources of charity finance too.

For charities to be successful in attracting funds, it is important that they understand something of the motivations and practices of potential donors. Donors, too, require a knowledge of the work of the charity sector if they are to allocate their money in a reasonably effective manner. At present, however, there seems to be a deficiency of understanding between companies and charities. In the experience of G.E.C.'s Sara Morrison, there is a great deal of mutual ignorance between companies and the voluntary sector[2] which, in Barbara Shenfield's words, sometimes leads to a 'complete lack of understanding and rapport between the people who want to raise money and the companies who are approached'[3]. This is likely to depress the flow of funds between the two and to hamper the effectiveness of the flow which does take place.

This lack of mutual understanding may account for some of the antipathy which one sometimes perceives between companies and charities, a tension which has been highlighted in the U.S.A. Perhaps some gap will always remain because of differences in purpose. Companies are not in business just to give away money, while some parts of the charity sector are not notably pro-business since their role can be seen as one of dealing with casualties of the market system. Even if the more hostile charities do not solicit companies for funds, it is possible that their activities make businessmen uneasy about approaches from other charities.

## Criticisms of Charities

One of the criticisms that companies level at charities is that they do not understand what companies desire from the practice of donating money and gifts in kind. While companies are looking for a fairly direct return in terms of good public relations when they undertake sponsorship of charitable causes, they are often annoyed or embarrassed if charities take such a simple view of donations. Writers such as Milton Friedman[4] and Irving Kristol[5] would criticise companies for indulging in such activities if they cannot be justified like any other expenditure or investment. However, Frank Koch[6] and Richard Eells[7] would support the notion of giving away money in expectation of a real, but somewhat indirect return. Eells contrasts his 'prudential' theory, which seems to be mirrored in the statements of many businessmen, with the 'conservative' theory of the Friedmanite critics.

The differences between the two approaches are really of degree, reflecting different perceptions of the nature and extent of benefits accruing to a company from a donations programme. Both reject the idea that companies have a duty to give away money without regard to their own interests. Companies similarly react negatively to requests which imply that they should donate simply because they have made profits. Barrie Dugdale[8] warns charities that they will receive little sympathy from business if they employ such an aggressive approach.

One of the areas in which different understandings of companies' motives cause problems is the publicity to be given to donations. If gifts are part of a public relations strategy, then publicity is likely to be a consideration, but, as Foster Murphy then of the N.C.V.O. points out[9], many companies desire little publicity except for an acknowledgement in the annual report of the charity. Dugdale, of Shell U.K., has criticised charities for assuming that, because his company is interested in public relations, it desires massive publicity for its gifts. In fact, he says, there are many circumstances in which they would prefer to give a donation 'without advertising the fact'.

My own research on information disclosure suggests that, although companies are advised to pay attention to publicity of their donations programme (see, for example, the C.A.F. Check List[10]), few reveal more than they have to. At present they are legally required to disclose only the total of payments for charitable purposes if the sum of that and political donations exceeds £200 (Companies Act 1967 S.19, as amended by S.I. 1980 No. 1055). This disclosure requirement has a number of weaknesses, not least of which is that