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Company charitable giving: Practice and disclosure

According to replies to another question, the total amount given by most companies is decided by the board of directors, usually annually. In most of these, the actual allocation of the budget is decided by a committee, usually appointed by the board, which may be open to suggestions from shareholders and employees. These committees tend to meet a number of times during the year to deal with requests for help which have been received. As mentioned earlier, they generally take more interest in appeals which have a connection with the company, either geographically or by the field in which they operate. Their responsiveness to new appeals for help is shown by the fact that about half the companies were supporting 20% or more of their aided causes for the first time last year.

When deciding their charitable giving, it seems that few companies pay any attention to what other companies are doing. Only four admitted to making comparisons. Two of these did so by contacting other companies directly, apparently when making decisions about potentially large individual contributions. One of the others consulted directors' reports, but apart from this instance, no companies appeared to be interested in the information which the Companies Act, 1967 requires to be disclosed. This is interesting because if companies make donations because it is expected of them, one might expect them to be keener to look at what others are giving in order to make sure that they give "enough". It appears that this is not the case.

Further indirect evidence on companies' reasons for giving is furnished by a question which asks companies whether they would continue to disclose the information about charitable giving, even if the statutory requirement were withdrawn. If giving is for public relations purposes, then one might expect companies to be very willing to continue disclosure. Only 4 of the 18 respondents said that they would, and only one of these gave the furtherance of their image as the reason. However, it might be that companies would wish to publicise their contributions other than through the annual report, which is a very accessible document. Instead they might prefer methods that ensured that the information reached the parties they desired it to reach and was not readily available to, for example, fund-raisers. Companies see these as the people most likely to be interested in the information presently disclosed in the directors' report.

The companies were also asked if their donations would remain the same if the disclosure requirement were abolished, since, although company donations account for only a small proportion of voluntary charitable income, any changes could have significant effects on particular areas of activity and need. They were unanimous in saying that there would be no change. It will be interesting to see whether this was the case when the requirement was introduced.

Finally, respondents were also asked for their views on the existence of the disclosure requirement. Opinion was divided on this question. Eight had a preference, but not a strong one, for its abolition, while 10 expressed their indifference. No company indicated a positive desire to see it retained, which might be the case if, for example, they considered it important to know what other companies were giving.

Conclusion

This article has reported on the progress of the research project at an early stage of its life. Some interesting findings regarding the practice and "philosophy" of corporate giving have already emerged. When the questionnaire study and the other parts of the project have been completed, a number of gaps in our knowledge of corporate charitable activity should have been filled. Hopefully this will provide a sound base for further research.

If anyone has any comments or queries about the project, they are most welcome to write to:

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