



Short-term damage to corporate reputation is often significant, but long-term damage is usually incalculable. Margery Kraus, president and CEO of APCO Worldwide, insists that modern companies must embrace corporate social responsibility and be proactive, rather than reactive.

Over the past few years, much has been written about the price of corporate fraud and scandals. From Ponzi to Parmalat there is one constant theme: corporate scandal is expensive. The headlines have shown us that a business model of 'profit at any price' carries crushing costs for the CEO, the company, its employees and the entire community. In many cases, just the threat of scandal is enough to send the stock plummeting.

Fortunately, few companies are confronted by the challenge of outright fraud and abuse, but corporate reputations are tarnished by the sins of the few. Governments respond to corporate scandals by imposing new layers of rules and regulations on all business. Even the most pristine corporations are required to spend millions complying with the new laws, and there is little indication that these new laws have generated goodwill or reassured the public or stockholders. It has become clear that following the rules is only the starting point for a company to build and retain the trust of its shareholders, customers, employees and other stakeholders. Enlightened companies are changing the way they view their role in the world and the ways in which they communicate.

Code of conduct

Corporate social responsibility (CSR) has come to play an important role in these changes. Once thought of as an inspirational concept, CSR is based on facts and figures, the policies and practices and the impact a company has on 'people and the planet'. A quality social responsibility programme has become an expected practice of good management and corporate governance. CSR is now considered to be a

key measure of a company's reputation.

While not all investors have made the link between corporate value and CSR, there are numerous examples that CSR has not only become a fundamental part of corporate reputation, it has also been contributing to corporate value.

With the activism of regulatory bodies in an increasingly litigious world, the only certainty is that the unexpected will happen. Shining up the coin of corporate reputation does not come about because of a press release. It comes about because of the way a company treats its employees, the workers in its supply chain and community members, as well as its ultimate impact on the environment. It is not a one-off public relations effort; it is how you conduct business. It is not just a matter of putting on a good public face, but of doing the right thing.

Selling CSR as a corporate reality has always been difficult. CEOs face tremendous pressure to meet quarterly and annual projections, while appeasing acutely attentive stockholders. For a long time, companies saw the demand for growth and profits and the need to build a strong reputation with the public as contradictory goals. Corporate structures contributed to this by separating the financial side of the business from the 'softer' side, which originally dealt with the community and other external stakeholders.

Virtue is its own reward

What the past three years have demonstrated is that there should be no conflict between the goals of doing well and doing good. By finding the convergence of these two interests, corporations are melding social responsibility with the business case.

DO THE
right thing

The bonus is an enhanced reputation and incremental value to shareholders.

The way to find the balance between doing good and doing well comes from understanding the corporate role in the global economy. Everyone knows the world has changed. No corporation stands alone. American companies routinely outsource call centres to India and purchase inexpensive, manufactured goods from China. The supply chain recognises few geographic boundaries. The internet and other technological innovations have made the world accessible to millions with the click of a computer mouse.

Governments cannot solve every problem in isolation. It is becoming increasingly clear that corporations need to harness their own economic power to improve conditions around the world, not because it is altruistic, but because it is in their long-term interest. Deep and fundamental social problems adversely affect the bottom line for business. Events and conditions half-a-world away, such as war, famine, drought or political instability, cost multinational corporations a great deal of money by stunting or shutting down markets and disrupting the supply of raw goods.

A wider sense of perspective

A world where nearly half the population lives on less than two dollars a day is not exactly a prime market for personal computers, designer wear or hybrid cars. A country where infectious diseases, from tuberculosis to HIV, approach epidemic levels is not a place where a long-term investor will risk his or her money. Rampant illiteracy can be as bad for business as rampant political corruption. The CEO of the future cannot just worry about sales; the CEO needs to worry about creating and sustaining markets. The literacy, health status and political stability of a country now affect the bottom line as much as any decision made in the boardroom.

I once heard someone say that there is no such thing as a successful business in a failed world. That simple statement captures the essence of CSR. CEOs must provide the leadership and corporate assets needed to develop the policies and practices to move CSR into the DNA of the business.

Studies conducted in recent years by



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APCO Insight®, APCO Worldwide's in-house research group, show that stakeholders expect companies to be proactive and go beyond the requirements of law if they are to be credited as socially responsible. The most recent survey shows a majority of key corporate players have purchased a company's products or services, or recommended them to others, in response to positive news about a company's social responsibility. On the other hand, approximately 60 per cent have boycotted a company in response to negative news.

Primary concerns

CSR has become a well-known acronym in the boardroom, but many still dismiss it as peripheral to the central concern of business and the investment community. However, earning the respect and trust of the public is undoubtedly good for business. Preserving a pristine environment will not only avoid future problems of fines, clean-up costs and squandered goodwill, but can also build

a partnership with a community.

Each year, corporations spend small fortunes on public relations and damage control. Even the best run company can experience a crisis. The company best able to weather an adverse situation is one with a solid public reputation. A good reputation is the product of a proactive investment of time and energy, outreach and partnerships, and communication with key stakeholders.

The pace of today's world is so fast it may seem counter-intuitive to argue that it is cost-effective for businesses to take a long and broad view of their interests. However, forcing self-interest to coincide with actions that generate a prosperous and growing marketplace is simply good business sense. Building an intrinsic corporate responsibility programme should become part of the corporate character, defining future reputations, because a good reputation is like a deposit in the bank: to be built up for the future or drawn upon for a rainy day. ■