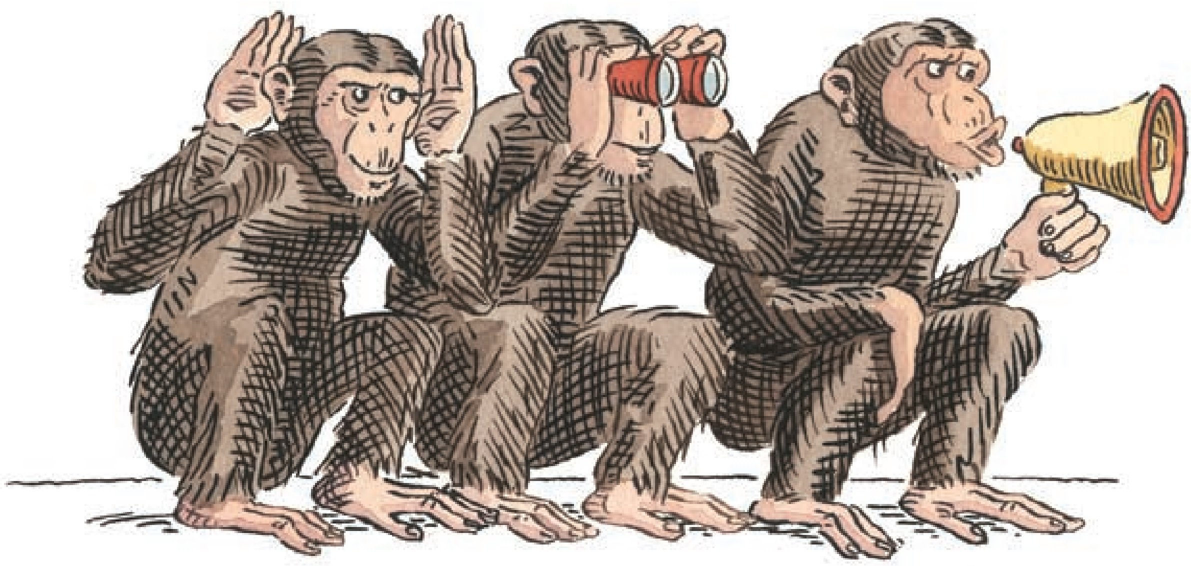
Why honesty is the best policy



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Growing pressure for companies to demonstrate corporate and social responsibility has implications for how you conduct your corporate communications. *Bennett Freeman* offers some lessons in achieving credibility.

As the twin agenda of accountability and sustainability gains momentum and traction, there are a number of implications for corporate communications that should be apparent.

Most corporate managements and communications professionals understand the basics of the corporate responsibility agenda and its potential impact, for better or worse, on the reputations of their companies and clients. But not all are comfortable with integrating these issues into their communications strategies and addressing the demands of stakeholders to demonstrate accountability and their commitment to sustainability. They are frankly challenged by the demands of credible, transparent reporting and by the dynamics of stakeholder engagement – and by the perception that they can never do enough to satisfy NGOs in particular as their companies must remain focused on delivering solid business results.

The most effective corporate responsibility and sustainability communications and reporting offer stakeholders a series of snapshots of a company's commitment and performance as works in progress. This kind of approach is consistent with the evolving spirit of corporate responsibility as a continuing process, one that values a willingness to tackle tough long-term challenges over satisfaction with positive short-term results.

In late 2003, Burson-Marsteller released the study *NGO Perspectives on Corporate Reputation and Responsibility*, in which we identified key elements of credible reporting and communications based on a survey of nearly 50 advocacy and community-based groups based in the US. The results were revealing then as to the key factors from the NGOs' perspective that contribute to the link between corporate reputation and corporate responsibility. The top four factors identified by the NGOs were reporting on non-compliance, poor performance or significant challenges; comprehensive performance metrics; third-party verification by independent groups or assurance firms; and standardization of reporting across a company's businesses.

The key finding – that NGOs attach the greatest significance to a company's willingness to acknowledge non-compliance, poor performance or significant problems – presents a tough challenge to the cultures of Corporate America and Corporate Canada that have long placed a premium on the ability to demonstrate concrete results and clear "wins". If NGOs believe that "honesty with stakeholders" is truly the top driver of corporate reputation (as we found), then our data delivered a clear message to companies: be candid about your problems and non-traditional stakeholders will be more willing to recognize your progress.

The essential point is that the sophisticated, contemporary accountability and sustainability agendas attach value and credibility to identifying dilemmas as well as solutions, to raising tough questions as well as to providing clear answers. To be credible, corporate communications – whether CSR reports, stakeholder dialogue or media relations – must become comfortable with imperfection and uncertainty, even if doing so runs counter to the absolute confidence that companies try to project to financial analysts and the media.

Two major multinational brands have got it right in the last year and, as a result, changed the rules of the game for corporate responsibility reporting. Gap's first social responsibility report, released last May, disclosed issue-by-issue patterns of violations of its code by suppliers in over 50 countries – and by doing so demonstrated the vitality and credibility of its global compliance process. Nike took this approach a step further in its report released in April by disclosing the names and addresses of over 700 approved factories supplying its brand products around the world. Between them, these two companies have set a new standard for transparency that will likely become the norm over time across the footwear and apparel industries and beyond.

Based on this analysis and my experience, I believe that the public relations and corporate responsibility worlds should share an interest in aligning corporate reputation with a post-CSR agenda that is increasingly focused on accountability and sustainability – and increasingly integrated with corporate strategy. Let me offer a list of 10 maxims to help PR professionals, in both the corporate and agency worlds, align the reputations of their companies and clients with their social responsibility commitments and stakeholder expectations in mutually-reinforcing ways:

1 First and foremost, substance sells and "messaging" is secondary to the substance of the message. Corporate responsibility is fundamentally about making and delivering on substantive policy and business commitments in ways that are transparent and accountable to stakeholders – and stakeholders are satisfied only by performance that is communicated substantively and credibly. Aligning actions and words is essential to reconciling PR and CSR in a positive way, both in the interest of safeguarding corporate reputations and advancing corporate responsibility goals.

2 Second, sometimes a company needs to recognize that it does not have a PR problem – it just has a problem. In my experience, the problem is sometimes ill-diagnosed, particularly in the face of an NGO campaign or CSR-related crisis. It takes both wit and guts for public relations professionals – whether in-house or agency-based – to offer strategic solutions to substantive problems instead of tactical solutions to what are perceived to be communications problems. Communications are of course an integral dimension of effective strategies, but one cannot substitute for another.

3 Third, the perfect is the enemy of the good in this new world. Everyone believes that "nothing succeeds like success" – except in the CSR world which has turned the definition of success inside-out. Corporate responsibility is not about perfect performance and final results; it is about serious commitment and continuous improvement. The companies that have done most in recent years to enhance their reputations are those that talk not just about progress and success, but about problems and mistakes. Credibility is the most precious asset that a company can build and safeguard in the corporate responsibility arena – just as it is in the other key dimensions of corporate reputation and investor confidence. Getting labor and human rights, environmental and sustainability

issues right might not seem like rocket science to everyone – but they are in many ways the terrestrial equivalent.

4 Fourth, a little humility goes a long way toward establishing credibility. Companies that either duck the tough issues or hype their claims will not help themselves at a time when trust in business remains in short supply. Putting a modest face on the story may be putting the best face forward – even if such an attitude runs counter to the natural and understandable instinct of many corporate communications professionals to promote good news. A company that follows the lead of Gap and Nike by disclosing violations in its supplier factories and emphasizing the challenges it faces in eliminating their causes will be credible – and commended for its forthrightness.

5 Fifth, recognize that NGO relations are becoming almost as important as investor relations, especially from a corporate reputation and communications perspective. View mainstream NGOs as legitimate stakeholders to engage through substantive policy dialogue – not as enemy combatants to fend off through counter-insurgency operations. Recognize that engaging with NGOs does not necessarily mean agreeing with them; it means trying to find common ground if possible; if not, it means finding ways to manage and communicate legitimate differences.

6 Sixth, remember that brands are becoming indivisible from their supply chains in many industries, and that serious mistakes or abuses on the part of suppliers anywhere can risk a company's reputation everywhere. The footwear and apparel industries have learned this lesson the hard way; now other sectors, from food and beverages to jewelry, gold and diamonds, are catching up. Communicate corporate responsibility commitments and expectations clearly across the supply chain in order to maintain public and consumer confidence.

7 Seventh, do your job or someone else might, to the company's detriment. Do not let the legal, compliance or human resource functions take the place of public relations and public affairs professionals on issues where corporate responsibility converges with corporate reputation – especially not in a crisis. Be at the table in the executive suite when decisions are made on accountability or sustainability issues that will be judged carefully and perhaps critically by stakeholders. But being at the table means not just fending off criticism tactically in an immediate context, but focusing strategically on the company's core interests and thinking creatively about new commitments and initiatives.

8 Eighth, do not turn over CSR and sustainability communications, including non-financial reporting, to accountants or former accountants. Accountability is not accounting; it is aligning categories, numbers and trends with the values, policies and practices that the data should reflect. Non-financial reporting – now required by the new Operating and Financial Review for publicly-traded companies in the UK – should be natural turf for public relations and public affairs professionals. Public relations and public affairs firms need not supplant but should complement the assurance firms that have moved into sustainability reporting – and can do so by communicating to their clients the new rules of the game that determine the credibility of that reporting.

9 Ninth, do not hide or bury the CEO. John Browne of BP and now Jeff Immelt of GE are the exceptions; they should be the rule at a time when there is far too little leadership on public issues on the part of business leaders. Corporate responsibility – above all accountability and sustainability issues with a significant impact on reputation as well as performance – are too important to be delegated entirely away from the executive suite and the boardroom. These are CEO leadership challenges, not just corporate staff functions, and leaders must lead on issues that can no longer be insulated from corporate reputation and business performance.

10 Tenth, recognize the primary importance of communicating corporate responsibility to employees – the most fundamental stakeholders of all. So much focus has been rightly placed on communicating the substance of accountability and sustainability commitments to non-traditional stakeholder such as NGOs. But it is no less important to communicate core values and commitments to the employees whose understanding and involvement is essential to bringing them to life. The debate over the ROI of CSR will carry on indefinitely. But the case has been made conclusively that companies can attract, retain, inspire and motivate employees by standing for something even larger than the enterprise itself.

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Substance Sells:
Aligning Corporate Reputation
and Corporate Responsibility