



DUTY CALLS

Georgina Legoe and Maria Sillanpaa explain why the downturn shouldn't stop directors from meeting corporate responsibility obligations.

In the current climate, a company's management team reasonably concludes that its hands are full with fire-fighting, leaving little time for corporate responsibility. Why would you need to consider the environmental and social impact of your business when you're struggling with margin calls and possible redundancy programmes?

Indeed, some organisations are using the credit crisis as an excuse to divert attention away from better governance and external responsibility, for sustainability issues such as climate change and social equity.

Instead, this is the time to reflect. When running a large business you take on the mandate of planning for the medium-to-long-term. Taking this longer view will give you the clarity you need to deal with short-term crises and issues. Progressive CEOs will guide their organisation through turbulent times by embracing corporate responsibility to both enhance and complement more traditional and embedded business practices.

That means:

- Integrating issues such as resource efficiency, healthy communities and labour practices into your bottom line.
- Equipping your business with the tools it needs to be resilient and agile enough to respond to crisis events, so that you build stakeholder and shareholder value and enhance margins in the mid- and long-term.
- Realising opportunities by being a better corporate citizen, business partner and community member.

Experience tells us this is a more appropriate approach to business planning in a dynamic, global marketplace. Here we give some practical advice about what you, as a CEO, can do to position your organisation to leverage the current situation.

EMBED CORPORATE RESPONSIBILITY INTO THE DNA OF THE BUSINESS

In more mature markets, corporate responsibility and the non-financial (social and environmental) reporting processes that go with it are a vital element of progressive corporate planning. It's not an add-on or extra, meaning it shouldn't be disregarded when times are bad.

In fact, it is the opposite. Done well, it is a holistic business process that needs to be incorporated into and supported by robust, on-going operational planning. It is a journey that organisations embark on to make themselves more resilient, more nimble, more innovative and ultimately more profitable in the long term.

Unfortunately, the uptake so far of corporate responsibility in the Middle East is far behind such global market pioneers as Starbucks, Marks & Spencer and Nike. These companies started to improve their corporate responsibility performance some years ago, partly in response to strong concern and criticism from their communities. As early adopters, these companies have been instrumental in helping shape the direction of corporate responsibility globally, making significant contributions to the development of standards, indicators and processes based on their practical experiences.

They are also reaping the financial rewards. A recent survey, carried out on behalf of IBM and covering 250

businesses worldwide, said it is those companies that outperform their peers in terms of corporate responsibility that are already reaping the long-term financial benefits of an integrated corporate responsibility strategy.

BEHAVE RESPONSIBLY

Be part of your community 'family'. Fadi Ghandour, CEO of Jordanian company Aramex, said recently that his long-term goal was to "become much more of an activist within the community – to give hope to the people of my community". When asked about his views on corporate responsibility, he said that as CEO of a global company, "you are responsible not only for three or four people in your direct family, you are responsible for seven thousand different families that work with you, and that is as important as your own family."

But we are talking more than philanthropy. Businesses are connected to everything around them. They use the community infrastructure, enjoy a safe and clean environment and recruit their employees and customers from the communities in which they operate.

Without any one of these crucial elements, the business could struggle to survive. It follows, therefore, that businesses have a moral obligation to 'give back' to the community on which they so heavily rely. Put simply, it is 'the right thing' to do.

"Progressive CEOs will guide their organisation through turbulent times by embracing corporate responsibility to enhance more traditional business practices"

DEVELOP A RESPONSIBLE GOVERNANCE STRUCTURE

In recent years, there has been a drive for companies in the region to list on public exchanges and for financial centres to link to western and Asian financial hubs. This has seen corporations needing to conform to new standards of compliance, transparency, and regulation.

Yet until recently, CEOs in the region have been ill-equipped to respond to the new governance requirements. In an effort to address this discrepancy, the Hawkamah Institute for Corporate Governance was established in 2006 to advance corporate governance reform in the region. Achievements to date include active participation in the Arab World's first code of corporate governance for state-owned enterprises.

These changes all point to greater accountability for business and the foundations for greater responsibility. In fact, the current crisis perhaps gives Middle Eastern companies some time to work on internal governance and to position themselves for future advantage.

ENGAGE WITH YOUR STAKEHOLDERS

The framework for corporate responsibility recognises that your organisations' successes and failures are largely down

to the health of the relationships your company holds with the society in which it operates. This means your 'internal' relationships with employees, suppliers and distributors, and your external partnerships with customers, media, government, NGOs and investors. Identification of these groups and dialogue with them will ensure your strategy is led by the issues that matter most, rather than by existing corporate agendas.

Genuine corporate responsibility is a business strategy, which guides discretionary actions and provides competitive edge. You can do it well, or you can do it badly. Well-managed corporate responsibility builds relationships with key stakeholders, whose opinions will count most in times of difficulty. It supports the company's core objectives and either reflects or helps to shape the strategic options. It should also lead to business efficiency and cost savings.

MANAGE WHAT IS MATERIAL

At the heart of any corporate responsibility strategy is identifying and managing issues that lie at the core of your business and form the cornerstone of your strategic plan. We call these the material issues. Given the broad remit of corporate responsibility as a concept, it is crucial that you identify your areas of focus since without this your strategy could become unmanageable (doing too many things) and ineffective (doing the wrong things).

How you conclude which issues are material to your business is a key outcome of a robust corporate responsibility plan. The criteria for selection could include such issues as: those which have a potentially large impact on people, the environment or company value; those that matter to you and your employees and those which your company can do something about.

In a responsible business your stakeholders have a right to expect your company to be accountable for your decisions and performance around key issues, both good and bad. By identifying your material issues you give your company future advantage, as well as harnessing the opportunities and limiting the risks of stepping on to the global stage.



well' they are likely to emerge as the trailblazers of the region, in the way that others in the mature global economies have been doing before them. For this reason it is essential we move responsible business agenda items from the margins to the main items of boardroom agendas. In the Middle East at least, there is still plenty of room at the top table. **CEO**

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BE TRANSPARENT

A recent study by KPMG revealed that 80% of Global Fortune 250 companies now report on corporate responsibility (non-financial) data. That's a reported 30% increase in the last three years.

Companies in the GCC are currently falling well behind their global counterparts in reporting on their extra-financial issues through a corporate responsibility report. A review of five regional companies shows that the quality varies widely. Aramex's report is a leader. It clearly states the company's corporate sustainability commitments, highlights its material issues, and confirms it is following international reporting standards.

To compensate for this variability, various initiatives have emerged to create a set of universally accepted ethical norms for companies, including standards, indicators and processes that corporations could broadly be seen to adhere to wherever they operate.

For example, earlier this year the Accounting and Auditing Organisation for Islamic Financial Institutions announced it will develop an industry standard focused on providing consistency in corporate responsibility within Islamic financial organisations. This is based on the premise that all Islamic companies should make a positive contribution towards economic and social development. Additional similar standards are soon likely to emerge.

IN CONCLUSION

As you delve into the world of corporate responsibility, what you discover is that it leads a company to focus on issues that are simply good business sense and will lay down the foundations of an enduring organisation.

In the Middle East, a combination of political will, and a will to compete in a competitive and global market will drive companies to embrace and excel on the international corporate stage. This is an invitation to CEOs across the region to marry business performance with corporate responsibility. If those companies set on the pathway to more responsible business practices commit to 'doing it