The Good Reputation Index 2002: A Tale of Two Strategies

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FOR three years, Reputation Measurement Ltd and *The Age* and *The Sydney Morning Herald* have been trying to impose their political agendas on Australia's top 100 corporations. They think that Australia's corporations should be good citizens, and that by measuring what they think it means to be a good citizen, they can change corporate behaviour.

Westpac ranked number one on the 2002 Index, and rated well in every category. Flight Centre ranked number one on financial performance, but 47 overall. It was in the doldrums in every other category, including being ranked 99 on environment. On the surface this seems very strange—Flight Centre manages shopfront travel agencies! The reason for this bizarre result was not hard to find.

Reputation Measurement suggested that 'companies seeking to demonstrate their worthiness as socially responsible organizations are most successful when they widen their traditional business stakeholder base to include community stakeholders'. Further, '[i]nvestors and consumers are increasingly making decisions based on longer-term issues linked to a company's capacity to contribute to a sustainable future'. In other words, the Reputation Index is an instrument for advancing a number of political agendas: corporate social responsibility, stakeholder capitalism, and sustainability.

For example, corporate social responsibility suggests a common agreement about what is good. Whose definition of good is to be believed—the electorate's or the activists'? In a liberal democracy, the rules are set by a consensus that determines not so much what is good corporate behaviour, but what is, and what is not, acceptable behaviour. The Index is an exercise in capturing the reputation agenda and using it to regulate corporate behaviour.

Stakeholder theory suggests that all interests in an enterprise compete to obtain benefits from the enterprise, but that none has priority. It is in effect asking, 'in whose interests should the enterprise be run?' It assumes that society grants an enterprise the right to exist. The community, through its lawmakers, may grant licences and certain privileges in return for the enterprise complying with the law. It does not license stakeholders at large to impose their views on the corporation.

Sustainability refers to ecological sustainability, and ecological sustainability is premised on the notion of limits to growth, based on limits to resources. It argues that natural resources are becoming scarcer. It ignores the history of technological innovation, often promoted by competition between corporations, and the fact that such innovation has extended physical resources in ways untold.

An analysis of the 2002 Index reveals that those corporations whose score improved massively between 2001 and 2002 did so because they did not participate in 2001—they were rated anyway—but did so in 2002. Conversely, those whose score plummeted in 2002 did so because they participated in 2001 but not in 2002. Moreover, the corporations who rose massively in the ranks did not change their behaviour, they just filled out the forms better!

Greenpeace were very aggressive in their attitude to corporations: 'To enable us to verify your responses, please provide us with further supporting documentation. If … we are unable to verify your response, we will default your response answer to a "don't know" which will be marked and downgraded accordingly.' Unfortunately, those of whom we would expect better—for example, The Brotherhood of St Laurence—also penalized non-respondents. As the technique was used by almost all of the research groups, this was presumably a deliberate strategy of Reputation Measurement Ltd.

More disconcerting were reports from corporations of the research groups touting for business, by ringing firms and offering their services to help fill out the questionnaire. Although the level of disclosure has increased since the 2001 survey, the touting continued.

The Index was published in October 2002, obviously to coincide with the reporting season, and in the hope that shareholders would use the Index to seek changes to corporate behaviour. A sample of the major gainers and losers on the Index reported no mention of the Index. More importantly, there was no discernible impact on share prices.

The good news is that the Index failed miserably to achieve its objectives. The bad news is that enough corporations played along to keep it alive in certain media and academic circles. It was a chance for self-appointed NGOs—who provided the questions—to regulate corporations by publishing a list of good capitalists and bad capitalists. Every corporation that participated in the Index should think carefully about whether it can justify the agenda to its shareholders.

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