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## Is nailing 'bad' business a good idea?

by Michael Littlechild, Good Corporation

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**LAST WEEK** Ed Miliband unveiled Labour's new policy thrust to reward good companies and penalize bad ones. The idea provoked generally negative business comment, much of it with a 'hot air' theme.

As someone keen to promote responsible business, I'm inclined to pause before dismissing it as another short-lived Big Idea.

The two key questions it poses are: what distinguishes good from bad and what would these rewards/penalties be?

As for the first, the distinction is clearly broader than the simplistic "apprentices good, private equity bad" which came out of the speech. Some private equity firms can be good businesses, depending on what they do with the assets they buy.

Some companies that employ apprentices have been found to pay bribes to get business. In fact the party leader was quick to clarify that his speech contained examples (easy targets, given his audience) rather than a blueprint for policy.

So what is a 'good' business? We would argue that responsibility is at the core of good business. A responsible business tries to be fair to its stakeholders as a whole, namely its own employees, its customers and suppliers, as well as taking care about the environment and the community where it operates.

A business needs to be successful commercially, and hence create value and jobs, while taking responsibility for all its actions wherever they are carried out. It should be transparent, honest and accountable.

The Milton Friedman days, when the social responsibility of a company was to make profits, are long gone, because the few who still think like that have been in hiding for the last three years.

The complexity and variety of what constitutes good would suggest that the rewards and incentives can't be a silver bullet, like a tax break, but

rather a whole raft of measures.

Such as tax incentives for R&D and training carried out in the UK; fines for environmental damage which match the social cost; tougher regulation on mis-selling products and services; penalties for paying suppliers late; disqualification of companies from public contracts if they commit serious corporate offences.

Also on the agenda, dare I suggest, may be a regime where tax is paid in the UK if the company's value added is here, never mind if its HQ has been moved to Dublin or Zug. International tax advisers may be very content with the flexibility of the current tax environment. But Mr Miliband probably more than suspects that the public as a whole just doesn't get it.

*Michael Littlechild is a director of responsible business advisors GoodCorporation*

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