Leo Martin: Lessons from eight years of GoodCorporation

Leo Martin gives some plain speaking on a range of issues relating to responsible business, with some lessons that are both insightful and provocative.

Leo Martin is one of the founders of GoodCorporation, which arose from a group of like-minded people at KPMG some years ago. Having been asked by clients whether KPMG couldn't just audit them to show their social responsibility to a sceptical outside public, they had realised that they couldn't. But that was a need that somebody should meet.

So in 2000, GoodCorporation was launched, and developed the GoodCorporation standard, which sets out 62 management practices that firms are assessed against, and which forms the core of the organisation's work today. It has carried out audits in 40 countries.

As you might expect, Leo's experience over such a wide field means he has strong views on a number of areas of what responsible business practice means. He starts by criticising what he describes as 'reporting-led' CSR (corporate social responsibility'.

There is, he says, "an enormous gap between CSR led by reporting and communications people, versus corporate responsibility led by people who are responsible for either business principles, codes of conduct, compliance, people that are actually inward-facing and looking at how does the organisation employ people, how does it sell, how does it operate?"

The communications people start with the premise of 'needing to tell a good story' and to put on the best face. Nothing wrong with that per se if that's there job, but someone needs to be looking at CSR in terms of internal processes that need to be changed and improved.

There are some companies, he agrees, that do both reasonably well. "Where companies have been forced into looking at behaviour and culture, and it's usually because they've had a scandal when something has gone wrong, they then tend to generate activities to check up on behaviour or to encourage the right culture in the organisation."

It comes down, Leo says, to ownership and structure within the organisation. With the right governance at the top, CSR challenges can be seen in terms of change management. Without that, it can be very difficult.

"Where we've made our sales to CSR people we've had quite an uncomfortable time because we've tended to be critical, hopefully always in a positive way, about the organisation's business practices. These poor CSR folks tend to find this very difficult to handle."

The contrasts the Anglo Saxon model with the French approach. "We're now working for companies in France and they all have an ethics committee that reports straight in to the chief executive, that owns the company's code of conduct and doesn't give a stuff about reporting, actually. They're interested in protecting the chief executive and making sure that things don't go wrong".

He hopes that the shock of the credit crunch will lead to more change here. "Somebody over the top of the organisation who's more powerful than the sales people, more powerful than the marketers, having a strong say over the culture of the organisation."

Leo says that GoodCorporation has learned a lot of lessons about what actually goes wrong within companies - and when he does an audit he always starts with the part that is directly facing the customer.

On a note of optimism, he says "In terms of responsible behaviour, companies get this stuff right a lot more than they get it wrong. Which may sound a bit contradictory, but I don't think it is. It's not surprising that most organisations survive and grow on the basis of keeping customers happy. And so what we look at when we're looking at all aspects of responsible behaviour, whether it's clarity about what you're selling, being honest about that, clarity about advertising and promotion, or using customer feedback to improve products and services, protecting public health - a lot of companies get those things really right.

"But the bit that we see that often fails, particularly that large companies struggle with, is the problem of not being able to personalise responses to customers."

Leo recounts an experience of his own, where he received an energy bill demand suddenly massively more than standard, clearly a mistake, and the weary path he had to tread of dealing with customer representatives before getting the company to acknowledge what was obvious to anyone - that it was a mistake.

GoodCorporation speaks to customers of companies for whom it carries out audits, seeking to flush out its equivalent stories. Every one of them is an indication of a process that needs to be improved.

It is the area, he notes, where small companies do best. "We find small companies thrive on getting that bit, not just right, but when you talk to customers and get them raving about the companies ... The small companies we assess often get that brilliantly right."

This is the area that most clearly ties into how you become a successful business. "We're looking at having fair complaints processes, listening to customer feedback, looking after the needs of vulnerable customer groups, all the result of things we're assessing. And we say that all of those things align strongly with profitable business growth as well as being the right thing to do. We don't see any contradiction in that."

So, who are the stakeholders of the businesses that they focus on the most? It begins, says Leo, with those that have a contractual relationship. "They're people who can give you feedback on business practices and say something intelligent about the organisation."

"We're very open to looking at stakeholders in a wider context, but we find it absurd that some people's idea of stakeholder engagement is to start off with a list of international NGOs and then they're a bit surprised when they get no useful feedback from them. Whereas we say that you go and talk to your customers and your employees and your suppliers and your shareholders and people who actually know you, and you'll find that you get lots of useful feedback about fair and responsible business practice".

That leads to a big focus on HR issues, with employees figuring as major stakeholders for how the firm does business.

"The things that we find going wrong vary again by size of organisation. In big organisations we find that often it's in the areas that are soft and require good culture where things go wrong in terms of people management. Things like good appraisals regularly go wrong because that manager over there's good at doing them, and that one over there is terrible and doesn't give a stuff. And until you spend time with managers saying 'this is expected, we're going to appraise you on your appraising, and we're going to link your pay to the quality of work you do in coaching and developing your employees' you will end up with that problem".

In small businesses, on the other hand, there can often be lax processes, but really happy employees. It may well be that there is not great documentation, few formalised processes, but the employees themselves believe they are treated well and fairly. GoodCorporation takes a relaxed approach to those situations. It's about outcomes, not just processes.

Asked about supply chain issues, Leo is quick to state that most of the companies GoodCorporation deals with do not see it as an important area. Although some have got advanced programmes on pushing environmental management through the supply chain, many just don't see it as the priority. And besides, the real problems lie closer to home.

"Where we see it going wrong is all in terms of the organisation's own contractual relationships with the supplier. Our assessment starts off with fair assessment of suppliers, avoiding conflicts of interest, not employing the chief executive's best mate and all the rest of it.

"The next bit of it when you look at dull stuff like clarity of contracts and protection of intellectual property. We get quite a lot of problems where companies are really lax in terms of their attitude and sometimes aggressive in terms of not giving suppliers protection, not respecting their intellectual property, not respecting their data, being really glib about it because 'they're just a supplier'. We think that's really poor practice that can give companies quite a bad reputation."

It can come back to bite. "We go and interview the suppliers and you should hear the things they say about these things. It's not nice".

The biggest bug-bear is, of course, supplier pay. Leo says that GoodCorporation has often been instrumental in kicking companies to actually make them pay suppliers within their agreed terms - and those agreed terms can stretch logic at times. "We're currently working with a very large group whose payment terms are 90 days, which is 120 days effectively, even though we actually agreed to 60 days in our contract at the end."

He sums up the moral position grimly - "That's theft, isn't it? You're saying to someone that I'm going to pay you to do something, you've done it and, oh, well, wait a few months and I might pay you. You've taken something and you've not paid for it. If that was a child down the sweet shop they would soon be pulled up. Wouldn't they?"

These areas are, says Leo, the things they begin by focusing on well before they get into questions about whether the company is screening suppliers for environmental practices or human rights violations. Because unlike the latter, the causes of the problems begin close to home and can be addressed.

Leo saves some of his most passionate commentary for how companies are currently approaching their environmental impact.

He is, he said, concerned about what the business community is doing on environmental performance - and he puts the blame for the problems squarely on management systems such as ISO 14001 and the European standard EMAS.

The problem is that such systems start with a safety model - they ask the question about the likelihood of something going wrong, and what the company can do to mitigate that possibility.

"Whereas anyone who's fluent from the planet Mars will say 'excuse me, company, you're having a big impact right there, just by being at work, doing what you're doing. What are you going to do to make it smaller?"

"Most environmental managers, even in the big companies we're working in, are flummoxed by the question when we say to them 'when you come to work tomorrow, how will it be a smaller impact than today?'".

Even apparent progress, he complains, is not always real progress. "One of the big telecoms copanies in the UK made a big thing about this huge reduction in carbon, and then you found that it actually shut some of its offices a few years earlier and that was its big reduction of its impact. That wasn't quite the spirit of what you're trying to claim, so there's still those dangers."

Ultimately, the answer to this one goes beyond GoodCorporation - beyond any standard - "because that answer's got to be on a scale that's so global and in every business, every household, that it just requires all organisations to be doing their bit."

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