



Reporting in recession

## Why bother reporting?

**Sustainability reporting makes even more sense in a hostile economic environment, says [Kathe Rebernak](#)**

We are in the midst of the first recession since the concepts of sustainability and corporate responsibility entered the global consciousness. With it has come much speculation that sustainability, and environmental initiatives in particular, will not survive the downturn.

Yet the geopolitical zeitgeist is moving toward finding a global solution for addressing climate change, and investors are more attuned than ever to social and environmental issues. For instance, the Carbon Disclosure Project's 385 signatories, who want companies to report their greenhouse gas emissions, control assets of \$57tn.

The convergence of the economic and climate crises could not only move sustainability forward but might also create a new paradigm for sustainability reporting. Heightened scrutiny on the part of stakeholders will drive companies towards greater transparency and a narrower focus on substantive issues. As a result, companies that maintain or even step up their efforts to engage in balanced, transparent reporting on all issues material to their business will maintain an edge over those that do not.

In an economic downturn, marketing and other forms of corporate communications – usually considered discretionary spending – are the first items to be cut. During this recession company culture will determine, to a large extent, whether sustainability reporting makes the cut. Those that view sustainability as merely an extension of marketing and public relations will move both sustainability and reporting efforts to the back burner.

Those that see sustainability as key to the

successful implementation of their business strategy will continue, or even step up, the integration of sustainable business practices. And they will take a hard look at the effectiveness of their sustainability communications efforts. Companies that value reporting are unlikely to scuttle reporting entirely, but will be looking for ways to extract the highest value from the reporting effort.

### Transparency gains

Like sustainability itself, reporting has evolved over the years. Today's reports are much more substantive than the dressed-up press releases of yore. They are leaner, more balanced and packaged for cost-effectiveness and portability (for example, as brochures, executive summaries, PDFs). And as the benefits of web-based reporting become more apparent, a growing number of companies are taking their sustainability information online and creating useful interactive tools to engage stakeholders.

Yet while reporting today is generally characterised by greater transparency across the board, by and large these reports still trumpet the good and give short shrift to the real challenges of integrating sustainability into business strategy and operations. Imagine the reaction were a company to admit, for example, that its two-year payback rule derailed a packaging reduction initiative that would have reduced greenhouse gas emissions by thousands of tonnes and reduced costs by 15% a year – beginning in year four.

While the recession is unlikely to bring about such an extreme degree of honesty, there is no better time to engage in brutal transparency than when

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*There is no better time to engage in brutal transparency than when everyone is suffering*

## Best practice

Companies that want to report effectively on sustainability in the recession should:

- **Be honest.** Companies should make it their mission to help restore confidence. Doubly so members of the financial services sector. (See ANZ corporate responsibility report review, p45.)
- **Focus on material issues.** These are the issues of greatest concern to stakeholders. Companies that engage stakeholders to understand key issues will generate goodwill even before publishing a report. It's important to understand how stakeholder needs are changing along with the economic environment.
- **Opt for quantitative over qualitative.** Favour performance indicators over storytelling. Scale back on narrative content and use graphics to demonstrate performance and reduce page length. Show return on investment for initiatives and financial benefit to stakeholders whenever possible.
- **To cut costs, leverage past efforts.** Now is not the time to reinvent the wheel. Consider switching to a two-year reporting cycle. Mine previous reports and communications materials, and produce an update rather than a full report. Direct readers to past reports for information that has not changed, and cross-refer to information reported elsewhere. Consider web reporting to create a platform for easy updating and to save printing and production costs and paper.
- **Celebrate employees wherever possible.** Reward and communicate, internally and externally, employee achievements. Be creative: honour an R&D team for securing a patent, or implement a work-from-home programme to help employees reduce commuting time and costs. And by all means possible, choose pay cuts, beginning with the executive team, over layoffs. You will build morale, restore confidence, see greater productivity and retain your best people when the economy stabilises.
- **Be creative.** If you simply cannot get a budget for a full report, think about smaller and interesting ways to engage stakeholders and communicate key initiatives and results.
- **Refuse to succumb to short-termism.** A long-term commitment to sustainable business practices – including reporting – can help companies weather this recession.

everyone is suffering. As Rebecca Willis and James Wilsdon noted recently in the Forum for the Future editors' blog: "In a downturn, it's hard [for NGOs] to keep the pressure up." A frank discussion about the true challenges for sustainability will help stakeholders understand just how difficult this journey is. And while stakeholders may not dial back the pressure as much as companies might like, they may be more willing to engage in a constructive dialogue on difficult issues when firms are having to work hard just to make ends meet.

Something that often gets lost in the conversation about sustainability is that economic performance is one leg of sustainability's three-



Keep communicating

legged stool. Organisations should be realistic – internally and with stakeholders – about the impact of the recession on their ability to meet environmental or social goals. While the recession will force companies to make hard choices, it should also drive them to consider and balance the needs of stakeholders and report accordingly. For example, a company should discuss how its decision to scale back a key environmental initiative preserved a certain number of jobs.

### Systems approach

Indeed, the recession, and the events that have led to it, should prompt more companies to take a holistic, systems approach to sustainability: making decisions based on the interconnectedness of all stakeholders and all areas of a company's business. US companies Whole Foods, a natural and organic grocery chain, and Seventh Generation, a private distributor of household and personal-care products, both take a systems approach to integrating sustainability into their business models.

What's more, companies that have been reporting for a few years will find it very difficult to stop. Even if sustainability programmes continue apace, a company that stops communicating performance externally will lead stakeholders to believe that its sustainability efforts have gone by the wayside. Remember that ongoing dialogue with stakeholders builds trust. And trust, once lost, is nearly impossible to reclaim.

Those that are too quick to cut sustainability programmes and reporting will probably find themselves unable to rebound as quickly as their more-conscious competitors – if at all – when the economy eventually turns around. As the chairman of Marks & Spencer, Sir Stuart Rose, famously said: "There is no Plan B." Companies would do well to follow his lead. ■

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