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When it Comes to Corporate Citizenship, Being Expressive Pays

by Cynthia M. Phoel

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From the name of his organization, the Reputation Institute, it would be easy to think that CEO Charles Fombrun is interested in helping companies look good. But the truth is much the opposite: Fombrun isn't interested in spin of any sort. "I really am interested in how companies can be better," he said.

In fact, Fombrun thinks that companies today are pretty darn good. Public demand for companies to get involved in societal issues is at an all-time high - and companies are stepping up to the plate. "I am in awe," he said, of the great things corporations are doing to have a positive impact on the world.

Which is why, when he hears companies talk about their citizenship efforts, he feels a mix of excitement and worry that companies won't be able to reap the benefits of their citizenship endeavors. "Companies ought to benefit, but it's harder and harder and harder to make that impact happen," said Fombrun.

In a compelling keynote address at the Boston College Center's 2008 conference, Fombrun argued that despite current challenges, citizenship initiatives are still a powerful way for companies to build their reputation and to realize a payoff, especially when people know about them.

The challenges to citizenship

Citizenship today is a competitive space: Gates and other top foundations have budgets that dwarf company foundations. As do-gooders compete with each other to do good, the visibility - and with it, the reputational benefit - will likely go to the biggest donor.

Furthermore, goals are ambitious. The U.N. Millennium Development Goals - which include the eradication of extreme poverty and hunger by 2015 - have created a platform that is global in scope and will require large-scale alliances among corporations, governments, and NGOs to achieve results.

Indeed, there is no doubt about the rising tide of corporate citizenship. The question Fombrun poses is whether companies can capitalize on this rising tide and realize benefits for their organizations.

The potential benefits of citizenship

Although the challenges to citizenship are great, according to Fombrun, the potential benefits are equally significant. Citizenship can profoundly affect the way investors, employees, customers, and other stakeholders perceive a company, which in turn can drive their support for the company - and ultimately a hefty payoff.

Consider this: When Fombrun crossed CRO magazine's ratings of the 100 best corporate citizens with Reputation Institute data on the degree to which companies are well-regarded, he found a direct correlation between a company's perceived citizenship and its reputation. Simply put, companies that are seen as good corporate citizens are also highly regarded.

In similar comparisons, Fombrun found that companies perceived to be good citizens are more likely to receive public support. "If you are better regarded, people are more likely to recommend your products, to recommend you as a company, and to think positively about you," said Fombrun.

All these positive vibes add up to money in the bank. Fombrun finds that the ratio of market value to book value is nearly three times as high for the top 30 corporate citizens



versus the bottom 30. By Fombrun's calculations, "If you were to change your reputation by 10 percent, you would change your market value by 1.3 times that, or 13 percent."

How to make your company liked, trusted, and admired

So, how can you use citizenship to build your reputation and reap the rewards? Fombrun offers these tips:

- **Link to shareholder value.** Remember, everything begins with business strategy. "I want the finance model to incorporate thinking about citizenship - and it does," said Fombrun. "Because it talks about the value of the company as being the expectations of the future prospects of the business. And the future prospects are enhanced if we deliver against corporate citizenship objectives. Why? Because the public appreciates us more."
- **Target key geographies and market segments.** Not all citizenship is created equal. For example, in a country like Poland, where there is not much citizenship activity right now, any activity will stand out and has a high potential to deliver value. Conversely, in South Africa, where there is a huge focus on black empowerment, citizenship is a right of access. "You have to do it," said Fombrun. "But it's not going to give you the reputational capital."

Fombrun urges corporations to target the markets within their communities or customer portfolios that are likely to deliver the highest benefit.

- **Pursue a balanced strategy.** Fombrun identified seven drivers for reputation: citizenship, performance, products and services, innovation, workplace, governance and leadership. When he sampled 30,000 people in 26 countries on which driver was most important to reputation, citizenship ranked No. 1.

It's worth noting, however, that all seven factors received more than 10 percent of the vote. "Which means that being liked, trusted, and admired is a balancing act," said Fombrun. "People are influenced by the whole array of drivers of reputation. It speaks to the need for citizenship activity to be tied in with the other six. It speaks to the need for integration and for dialogue within our companies with the human resources...with the financial folks...with the governance folks, with all other components of the business. I think that's where the payoff is going to come from - when we have that dialogue working well."

- **Make sure people know about what you're doing.** "It's good to talk about all the good things you do," said Fombrun. "Companies that become more expressive are going to have better results."

Fombrun plotted companies according to the reality of their citizenship efforts and the perception of those efforts. He pointed out the risk involved for companies that talk a big game but do very little. On the flip side, companies that are doing great things but not talking about it have an opportunity to leverage those citizenship efforts into reputational benefits for their companies.

Specifically, you want to speak in a way that's visible, distinctive, responsive, sincere, transparent, and consistent. But more than anything, you want to speak. "The more you're out there, the better regarded you are," said Fombrun.

Above all, be strategic. "Don't just do it," said Fombrun. "Make sure that you get strategic value from it. That comes from matching reality to perceptions. It comes from putting citizenship at the heart of your reputing strategy. So, it's not just an isolated component with initiatives that are happening disconnected from the business. And ultimately, it can drive your entire strategy for influencing the world and creating that halo of reputation, positive influence on society, that I think we all want."

View a video of [Fombrun's keynote presentation](#). (Members and conference participants only; login required)

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