

## Managing Risk

– Tiara Anthonisz,  
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The importance of operating your business in a responsible and accountable manner is made most clear when observing the consequences that have been faced by companies worldwide, who failed to do so. The examples are numerous, as are the types of actions that caused them.

The consequences of the disaster attributed to Union Carbide in Bhopal in 1984, when gas and chemicals leaked into the surrounding area, is still being felt by the people of that region due to the ongoing contamination and health issues they suffer from. The death toll at the time of the disaster was catastrophic. The legal proceedings continue to this day, where a criminal case is pending against the CEO of the company, and a number of ex-officials have already been sentenced.

The human rights controversies surrounding the Shell operations in Nigeria in the 1990s is yet another example, where the native Ogoni people protested against the activities of the company due to the environmental damages caused by its operations, and the fact that the natives were receiving very little income from the oil being extracted from their lands. This ultimately resulted in arrests of protestors by the Nigerian military along with a number of executions – causing even further scandal to surround the Shell corporate brand name worldwide.

In 1999, the Coca-Cola Company was forced to recall 30 million cans and bottles, when it was found that sub-standard gas used in a certain batch of the product was causing illness amongst school children and the general public.

Then, in 2007, child labour was discovered in the supply chain of GAP Inc. when a subcontractor of the company in India was exposed by the media. This caused widespread negative publicity along with a dramatic drop in the share price of GAP, despite the offending party not being a direct operating unit of the company. Nike faced a similar situation in Cambodia, which severely tarnished the brand and the company's reputation.

These well known examples show that acts of corporate irresponsibility can have financial and reputational impacts. They can arise from the ingredients that go into your products, from the environmental impacts of your operations, from the human rights standards that you maintain with your internal and external stakeholders, and even through the activities of far removed members of your supply chain. They can also be caused by breakdowns in the internal governance processes of your company, as we in Sri Lanka have been exposed to in recent times.

It is clear therefore that corporate irresponsibility can arise from any given aspect of your business, however insignificant it may seem. What is required in order to prevent these catastrophes and consequences to corporate brand reputation, is to integrate holistic and strategic accountability and responsibility throughout the business. Every business decision should be undertaken with these principles in mind, to ensure that no action results in potentially dire outcomes for the company, or for its stakeholders.

Doing so is no longer an option for companies in our current business and social environment. Being a responsible corporate is now expected of you. It is essential for maintaining your license to operate. The widespread global connectivity that we now enjoy, along with the social networking media that allow for consumers and everyday citizens of the world to communicate instantaneously, means that everyone is now aware of the problems that corporates can cause, and they will become aware if any corporate is involved in dealings that society considers to be unacceptable. The logical response then is to ensure that your business maintains the highest ethical standards in every aspect, to ensure that no fault can be found. The reputational benefits of doing so need no explanation.

The examples highlighted show that corporate responsibility and risk management go hand in hand. Companies must move away from purely financial-oriented risk management, to integrate structured systems for monitoring all sustainability risks – on the economic, environmental and social fronts. Managing these risks do contribute to managing the associated financial risks after all, so this should not be an unheard of concept. Monitoring risks can also make you aware of various opportunities that, when taken advantage of, can result in numerous cost benefits. For instance some operations of Aitken Spence Hotels now use biomass gasification as an alternative to traditional fossil fuel based energy sources. This has reduced the company's fuel bill whilst also creating significant environmental benefits.

In order to ensure that your business is operating in a sustainable manner, it is essential to monitor your performance against key environmental, social, and economic indicators. Monitoring naturally makes you aware of areas that can be improved, and this makes your business operations more efficient by making the maximum use of raw materials. The benefits to your bottom line make monitoring sustainability performance more than worthwhile.

It goes without saying that being responsible results in better relationships with your stakeholders. This is essentially the core of being a sustainable business, as your operations cannot continue if your stakeholders do not permit it. Further, investors and consumers alike are now themselves becoming more responsible, and are increasingly demanding more of companies, if they are to continue to invest in them.

Ultimately, being a responsible corporate is necessary for ensuring sustainable development of the nation. If all businesses incorporate strategic Corporate Responsibility (CR) into their operations, our economy as a whole will have taken

significant steps to become cleaner, greener, and more prepared to join the ranks of the new sustainable economic model of the future.

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