

Paul Nixon: Okay, this is Paul Nixon and today we are interviewing Mallen Baker. Although Mallen says he hates the word 'guru' he is a very well respected figure in the world of corporate responsibility and reporting on how to do those things online.

And so today we're going to talk about corporate responsibility online, telling your sustainability story and so on, and the things that work and the things that don't necessarily work.

So Mallen, welcome, and would you like to first of all tell us a bit about yourself, your background and so on?

Mallen Baker: I've been involved with corporate responsibility for coming up to – well, somewhere between 15 and 20 years anyway.

I was at Business in the Community for a long time, which of course is the largest membership organisation of companies committed to social responsibility in the world in fact.

I was there for quite a while, whilst the organisation was first trying to get to grips with this umbrella term 'corporate responsibility' and trying to work out what it meant for its members. And I led on that work for Business in the Community.

And that kept leading to how companies communicate and very quickly looked at how companies report. Whilst the Global Reporting Initiative was creating its first framework we were doing something slightly parallel with 20 of our members. So how companies make a difference through reporting has just been something I feel like I've been doing for a very long time indeed.

Paul Nixon: Okay, so let's start off with what makes a good corporate responsibility section online? What helps people to get across their message effectively?

Mallen Baker: For me the key distinguishing features between a good report online and a mediocre one are a couple of things.

First of all is that the company's clear about who its audience or audiences are. And that's very, very important. Because an awful lot of companies will start off and they will understand from peer pressure that they need to start reporting and they will ask somebody how is it done and they will come up with the boilerplate response: "Well, this is how it's done. This is how the GRI does it. This is how a dozen others do it. So therefore this is what we must do."

And when you get that process and it's disconnected from who your audience is and what is it they actually want to know then usually you get mediocre reporting.

And the second part is the integrity of information and the authenticity of the voice that you're hearing. And that tends to come from the company's willingness to open themselves up, to show themselves as having a human face, and to admitting that sometimes they get things wrong.

And people trust reports a great deal more when they can see that it is an honest account of the things that have gone well – you expect the company to talk about those – but also the things that haven't gone well and what the company's doing about it.

Generally when you find something that is the boilerplate, looks the same as all the others and out of all the many, many pages it may have of content has got no area where it will admit to being less than perfect, it's not worth the digital paper it's written on.

Paul Nixon: But how many people actually do that well in terms of being that open and honest about things that haven't gone well?

Mallen Baker: It's a minority sport for sure. But I think there's a growing number. I think there's a growing peer group within the corporate responsibility profession who understand that that is what's expected of them.

And one of the knock-ons of the fact that the Global Reporting Initiative is out there – and a lot of people are sold the line that says, “If you do it, this is how it's done” – is that as soon as you agree on certain indicators, and that you're going to report on those year on year, then you're committed to reporting on them whether they move in the right way or in the wrong way.

And if they move in the wrong way and you're obliged to report on them then you feel the need to explain and to try and improve your performance. So almost by default that's going to push a lot of companies into a relatively frank exchange.

Which isn't to say that some won't change how the indicators are measured in order to try and make it look good; who won't sort of bury them various levels down. There are all sorts of tricks that people will use whilst still reporting to try and manipulate it.

So that's where you exercise choice. That is the difference between those who are choosing to do this properly and those who are trying to get away with as much as they can.

Paul Nixon: And do any actually highlight it above that GRI framework? Because generally when you see people providing information against that framework it's very text heavy, very hard to absorb. And you've got to have a real passion for the information and literally want to crawl through it to find those elements where it might discuss that.

Whereas I think the sort of audience, which is excluding the CR analysts, where they're looking to find out how well-behaved or responsible the company is, won't be going through that GRI table. They'll be looking for the stories; they'll be looking for the case studies. And sure you would expect to say, "Well, our industry has these challenges." But I certainly don't see anyone saying, "We slipped up here."

Mallen Baker:

I've seen it from time to time. But certainly I think what you've touched on there that is very important is how you can use the medium. Because the beauty of the web is that it is a fluid medium and you are able to make certain choices about how you navigate through it.

Whereas if you've got a printed report it's got a page one, it's got an end page, and there's one route through it, unless you're going to skim and try and pick that way. But ultimately it's a linear process; whereas with the web of course there are multiple parts.

And I think the smart companies are recognising that they have different audiences for this information. So many of them will provide a front page that pulls out what they believe are the key messages, the key stories that they have to tell for that year, and will provide some sort of engaging content, some sort of video content, maybe an interactive tool that will actually get people really engaging with whatever the dilemma is that they've been facing.

Another level down – or another two levels down – all the GRI stuff is there. And if you're an analyst and you really just want to go heading off to the GRI framework there's a little thing on the main navigation, you click on that and that will take you straight to all the touch points that you necessarily want.

But they know that a lot of their key audiences are going to start with that front page and look to see the bright sparkly things that are going to catch their attention and engage them.

And for me that's probably the smart level because if you care about your audiences you use a medium and an approach that they will relate to as your starting point. You don't expect your customers – if you're a consumer facing company – to read your report because that's just not how consumers get their information.

There is a fine line then between having the robust stuff of the analysts, where you admit all your failings, and then doing a real fluffy PR job for your customers, billboards around the country saying, "Posh and Becks say "Gucci hates sweat shops"" or something like that.

So you've got to have this middle ground because actually consumers see through the fluff very quickly. And all of the polls show that they're becoming more and more cynical about the claims that companies make in the environmental and ethical space.

And you've got to create what people describe as this authentic voice; which means that the tone of voice is correct and you're showing some of the rough edges as well as the real stars of your story. And people will look at that and they'll see some integrity to it. And that is what really then carries weight.

Paul Nixon:

And one of the great illustrations of that I think that I really liked – and I'm not blowing your trumpet for you but the interview that you did on the Centrica site with Sam Laidlaw where you were open to ask the questions you wanted to and challenge him on their

approach. Do you think we'll see more of that and people adopting that as a good sort of illustration of being authentic?

Mallen Baker: I'd like to think so. The challenge for the company is that they need to have a CEO – or whoever the figure is going to be, they have to be representative of the senior leadership – you have to have someone who is comfortable in that position. And an awful lot of them aren't.

You get a few who are very seasoned hands and are very good at dealing with the media. And what they're really good at is stonewalling. And then you get a very, very few – and Sam is one of these – who really knows their stuff and is very serious about the fact that this is embedded within the company and they spend a lot of time seeking to make it so.

Paul Nixon: And he cares.

Mallen Baker: So there's nothing that I could ask Sam particularly that's going to catch him out. I may or may not like the answers he gives but he knows what his material is. He's very comfortable with it. He's on solid footing.

And then there are a lot of other CEOs – and they're probably the majority – who are just scared of being put in that position because even if they have a genuine commitment that their company should be moving in the right direction, they don't particularly live in the details.

And they don't see it as particularly embedded. Because we know that the number of companies that truly embed sustainability in how they make their money is a minority don't we?

So the CEOs of those who would be persuadable that that's the direction they should be going in but don't really understand how to get there, they're not going to expose themselves to questions where they don't feel as though they've got full control.

And the Centrica example is a very good one because obviously they wanted to highlight-

Paul Nixon: It was their idea was it?

Mallen Baker: It was their idea. And obviously they wanted to highlight the key things that happened to them in the year but certainly I had freedom to ask whatever I felt was relevant.

They understood I wasn't John Humphreys coming in to sort of really nail them to the wall but for instance I was able to ask last year about the implications of lining up behind nuclear power.

It wasn't particularly on anyone's agenda at that stage. But for me as a 30 year old, history of environmental movement thing, it was certainly an issue that any company getting into that space needed to show that they'd thought about and understood what they were doing.

And of course when we then renewed the exercise this year Fukushima had just happened and suddenly those questions had become very, very mainstream. But it was to their credit.

And this year I asked them about tax and this whole issue about the government taxing them on North Sea oil and so on; which they were quite sensitive about but they used.

So they really had the courage to step up and say, "We are prepared to be placed in an area that's just slightly outside of the comfort zone."

Paul Nixon: I think that's a key requirement of getting the sense of authenticity that you definitely have to pick up the issues that are public domain; that people will be aware of. If you don't comment on them, one, you don't get the chance to express your side of the argument and what your position is. And if you don't talk about it then it will stick out like a sore thumb generally for those that understand that particular industry.

Mallen Baker: And for me whenever there's a controversy in the press relating to a company the first thing that I will do is go to their website and see what they say about it.

Paul Nixon: Yes.

Mallen Baker: And the mind boggles just how often the answer to that question is "Nothing", apparently.

Paul Nixon: Yes, the question was too hard. So what other methods would you see for providing authenticity and for being authentic?

Mallen Baker: I mean the other common one that companies will turn to of course is getting some degree of third party commentary.

And I'm not talking about third party verification of facts in reports and what Price Waterhouse Cooper and KPMG and the like do and all that kind of thing; if that's worth the money to you then that's one of the things that you do.

But in terms of key audiences and whether they believe something or not then having trusted third parties who have had the time – and the incentive presumably – to look carefully at what the company's doing and to talk to them and then to give their own reflections, good and bad, and to be given the space to do that, that generally plays pretty well as well.

And it's interesting isn't it? It's by no means a perfect system. The things that people feel would go into a perfect system tend to be very audit driven but actually when it comes to wider audiences they don't really trust the auditors either. But what they do trust is people they feel they know.

And that's very easy to abuse as a process. But of course if you deliberately manipulate and abuse people's trust and get caught out then the consequences of that are much worse than if you hadn't bothered in the first place.

So there is a role I think for third parties who are seen as trusted figures by particular audiences, whether they be heads of charities that are set up for a particular issue, whether they are public figures, even celebrities if they've got some profile that is about issues rather-

Paul Nixon: That is relevant.

Mallen Baker: Relevant, absolutely. Then I do think there's a place for that. But of course it is not a perfect system and you could easily envisage how that might be abused in the short-term.

Paul Nixon: Indeed.

Mallen Baker: I think you'd get caught out in the medium term though.

Paul Nixon: Yes. What goes around comes around and you reap what you sow.

Mallen Baker: Certainly in the internet/social media age I think you definitely do.

Paul Nixon: People will find you out. I certainly agree with that.

Mallen Baker: I think the other thing that provides authenticity is when people not only are admitting that something has gone the wrong way this year but actually seek to engage their audiences with problems that they

face that they haven't yet worked out how to solve. And they talk about the journey that they're on and some of the issues that they are confronting and where they've got to.

Because if you're very smart in how you do that what you can do is you can recruit your audience to be your collaborator in solving a mutual problem.

I mean for instance SABMiller I think have done this very well where they've used the Guardian business website as a particular thing because one of their audiences – very knowledgeable, engaged, environmentally minded citizens – certainly congregates around that area.

And rather than going to that space and saying, “Here we are. We're SABMiller. This is our report. What do you think about us?” they've gone to them and said, “Water is an absolutely key issue that obviously affects our business. We don't have all the answers, governments don't have all the answers, campaigners don't have all the answers. Maybe we can exchange some information and some ideas in this neutral space and look at what each of us can do and what each of us can learn.”

And I think that's worked very well for them because it's shifted the focus a little bit from the company is the star, the company is the centre of the universe, and puts it into a position where there are sustainability issues and the company is one of the actors, one of the beneficiaries of environmental services, one of the creators of environmental consequences alongside the rest of society.

Paul Nixon:

And Unilever's approach is quite similar to that, mobilising its customers, because they realised the customers have the biggest

impact through use of its products in terms of its net impact on the environment and so on.

Mallen Baker: Yes. And obviously that's a game that has the most appeal for companies that are very, very consumer facing and can influence the way their customers behave in some way, shape or form because of the nature of the relationship.

And there are a lot of companies who don't fit those criteria. But I do think it's about occasionally stepping aside from the view that it's all about the company and it's all about 'it'.

Paul Nixon: And you've got to have all the answers.

Mallen Baker: Absolutely.

Paul Nixon: Because I think the engagement piece is very much a thing of the current times. But I think the AA1000 approach is something that I find generally is much easier to understand than say the GRI if I'm sort of dashing in and trying to grasp what's going on.

And I get reassurance from seeing that companies have actually talked to their stakeholders and pulled out what the key issues are. And so they become much more focused.

And again, Centrica I think do this very well where they actually talk about what they asked them, how they asked them, and what the stakeholders said.

And so that level of openness to me then says this is a company that's focusing on the right things, it's validated that it's going in the right direction, and like you say, even if it hasn't come up with its own agenda of issues to fix, knowing that they're easily fixable.

Mallen Baker: I think that's right. It also depends who the audience is as well of course because I mean if you see that your audience is a significant investor many of them are going to want to know that that kind of process has been gone through.

I wouldn't necessarily slap that in front of direct customers who are more interested in "What are the issues and what are you doing about them?" Or, "What are the issues and how do they affect me?"

And the danger is always that you put so much stuff into these reports that actually audiences get confused. Because there's a whole bunch of stuff that isn't for them they have to wade through to get to the stuff that is for them.

And the skill in this is being clear about your audiences and what they actually want and making sure that people can burrow down and find the detail that they may want without putting off the people who actually want to know the stories.

Paul Nixon: Yes.

Mallen Baker: Because how you talk to your stakeholders is not that interesting to me as a consumer. Me as an investor or as a campaigning NGO or a CSR busybody who wants to commentate on whether your process is a good one, absolutely I want to know those things. And I probably don't want to see the fluffy stories thank you very much.

And being clear about what you're doing for which audiences and what their journey is from the starting point to where it is that they're actually going to be engaged. That is the bit that I find people are still not doing as well as they could.

Paul Nixon: That leads me on to another thought around this significant issue at the moment about integrated reporting and how you pull some of those things together. What are your thoughts of the key impacts of that in relation to how you need to explain or link your responsibility stories in with the rest of how you do your business and so on?

Mallen Baker: Well, for me integrated reporting could be – if it grows and settles, just because it seems to be the emerging trend at the moment, nothing is guaranteed – but assuming that that is the case I see it as a very positive thing; and potentially a dangerous thing in equal measure just because we are full of contradictions.

The encouraging thing is that if it is understood correctly, in my view it will lead you to be clear about the communication that you send to one of your key audiences, which is your investor/financial community. Because ultimately integrated reports are aimed at them.

You're integrating it into a communication which is about a forward looking view of the business; the financial performance of the business.

And that is all with a view to selling to your investor community that this is a company that not only has done well this year but is going to continue to do well into the future because it has the right strategy, the right approach, a good leadership team with a clear view on where its market is and its management of non-financial risks and other elements. And bringing all of that together makes perfect sense.

The danger, the downside, is if you begin to believe that that integrated report is what you produce for all of your stakeholder audiences. Because then you're straight back into the bucket that

says many of your direct stakeholders do not get their information from reports.

And if you see an integrated report as liberating you from talking to your other stakeholders and finding a way to do it in ways that they will naturally respond to and find engaging whilst having a clear communication which is aimed at those who have a stake in the future success of the company, brilliant.

If we start seeing companies say, "Okay, well that's our integrated report. That is our communication. Anyone can go and look at it" then I think that will be a negative thing because many of those audiences simply won't get what they want from that.

Paul Nixon: Yes. And they'll be lost in the detail and get very turned off.

Mallen Baker: But I haven't seen exactly how it's going to settle out. I mean you've had the coalition around this and the Global Reporting Initiative is in there. And what they want to do I believe is to sort of turn the template for integrated reporting into something that supports the GRI movement and so on.

And it doesn't start with audiences and what's going to work for companies. And for me that's the danger sign. It can get driven by very, very bureaucratic committee led processes who can sit down in a committee, or indeed in an armchair, and work out all the things that should be done without necessarily asking whether or not there's an audience for that.

Paul Nixon: Do you think there's a natural follow through from once people have started to integrate it into the annual report that they also have to do the quarterly or half-yearly reporting of sustainability or responsibility measures as well as the financials, as Sainsbury's have done?

Mallen Baker: I think there is but I think there are quite a few businesses for whom that makes sense. I think there are quite a few other businesses for whom the kind of cycle they've got means it doesn't.

And it's one of those areas I would be wary of mandating unless you'd really worked it through. Because for companies where it makes sense then great but actually people are not so fixated on a quarter by quarter thing because these things won't change that much on a quarter by quarter basis.

If you're a retailer and suddenly the people coming into your stores have plummeted because it's an Indian summer and you're only selling winter gear, or whatever it is, that's very short-term information.

Should the market derive long-term significance from it? I don't know. But often it does, for right or for wrong. It takes the short-term information and it reacts to it.

Are people's carbon emissions going to be leaping upward and down on a quarterly basis? Very occasionally but only tied to a very significant project based thing in their work or so on.

Paul Nixon: What I do see though, maybe primarily around community activity and so on or where the company have a big splash, key initiatives, people want to know what's happened to that.

Mallen Baker: Yes.

Paul Nixon: And the risk is that each year you get your annual report which doesn't link to what you did last year, which doesn't give you that continuous update process. And therefore there does need to be the ongoing news and the updates to stories.

Mallen Baker: Yes, that's right. This is why I make the distinction between company communications with stakeholders and reports.

Because where you are engaging your customers or your supply chain or your employees with what you are doing and what's happened then the more up-to-date and current that is, and preferably more of a discussion and a two-way flow it is, then the more likely you're going to succeed.

But the annual report is produced for people who read reports. And by and large those people don't need to know more than once a year what progress you're making on carbon, what progress you're making on waste.

A few of them might like it. In a few companies you might see some significant differences. But the majority you won't.

But in terms of their ongoing communication with stakeholders, this is why I say if you can separate out the report with the once a year "This is how we've done this year and this is how we see the future going. This is a milestone. We publish it 1<sup>st</sup> April. Boom."

Paul Nixon: Yes. End of term report.

Mallen Baker: As opposed to communication with stakeholders about what you're doing and what's being done to you and all of those kinds of things, then the more fluid I think you can make the latter of those.

Paul Nixon: Which brings us on to social media quite nicely and how people are starting to use that for discussing their key issues around responsibility and so on. Are there some good ways that you've seen of using that versus the not so good? What are your thoughts there?

Mallen Baker: Yes. It's an emerging art. I don't think it will ever be a science but it's an emerging art. So I think we're still making this up as we go.

Nevertheless you can see some companies for whom it has been working quite well and you can see some companies who, shall we diplomatically say, are learning by their mistakes what doesn't work so well. Because we're all learning. So I mean it's fine that you try stuff out and you do it wrong.

And the reason why companies do it wrong is because they take their corporate mind-set to their publications into social media. And that's what doesn't really work.

Social media is about human faces. It's about dialogue and discussion. And you can't have a discussion with a corporate entity. You can only have a discussion with a human being or a highly trained parrot. And not many of those work for companies.

Paul Nixon: They don't write websites too much either.

Mallen Baker: Not often. So for instance SAB again: they did a web chat on the Guardian website when they launched their report. One of the few things they've done which was about "This is us. Look at us. What do you think?"

And the CSR manager for SABMiller said, "Well, one of the first questions that actually came back in this was "Who are we talking to? Who are you? Are you just some PR person?""

Paul Nixon: "Or are you the real McCoy?"

Mallen Baker: So he said, "Okay, well this is me. I'm the CSR manager. I joined five years ago. I've done this, this and this." "Oh, interesting. So how do you find it working for a corporate...?" And a totally different discussion started happening.

Paul Nixon: Yes.

Mallen Baker: And all to the company's benefit. And I think one of the big challenges the companies who are used to corporate communications and to being faceless – except for maybe the CEO in certain contexts – is that they find it very difficult to shift to a medium where it's personal.

And they're empowering individuals to build their own audiences; kind of on behalf of the company but then if the individual leaves the company and goes somewhere else many of the audience are going to go with them. So obviously any lawyer is going to look at that and see risk written all over it.

But a number of companies are starting to understand that actually if they want to get the benefits of this kind of immediate interaction, this very, very fluid kind of device that's now available to us, then it involves that kind of opening up and accepting that there's a certain amount of risk that comes with that. It is a new way of working.

Paul Nixon: And on that point do you think the fact that SAB did it on a neutral platform, in the Guardian, actually was a big plus for them?

Mallen Baker: I think it was. And the reason why was that they understood who their audience was for a particular kind of discussion and they went to where that audience naturally congregates.

Paul Nixon: Yes.

Mallen Baker: For many, many companies what they do is they put up their corporate website, "Here we are", and they wait for people to come to them.

And of course a few people will come to them but actually if you really want to engage the people who are your stakeholders, who

aren't necessarily going to sit down and say, "What shall I do today? I know I'll go to a corporate website", you need to go to where they naturally gather.

And social media potentially creates tools that enable you to do that. It doesn't happen by accident. You have to work out how to make it work for you.

SAB was one of the first that used that sort of growing Guardian sustainable business presence to do it but that was pretty early on and that could easily have not turned into anything significant.

If that isn't your audience then you start with a question: "Where does that audience gather?"

And certainly I've known one retailer who have got a Twitter account which is aimed purely at their customers, and it's just a general corporate Twitter account, and it's got a quarter of a million people following it worldwide or something.

And what they chose to do was they started to introduce sustainability messages into there and they flagged up that there was a sustainability conversation going on.

And suddenly not only did they get quite a few people turning up to where that conversation was hosted but they also got quite a few sustainability minded people suddenly following that corporate Twitter account, bringing in this new audience with more critical questioning and knowledge into that general conversation that they would then conduct in front of this quarter of a million of their customers. Hence raising their awareness on what the company was doing in that space.

Paul Nixon: And making the whole thing far more authentic.

Mallen Baker: So in that sense that was a way of trying to bring the sustainability message, in little 140 character chunks, and just starting to expose the quarter of a million customer base that was interested enough to follow them, and starting to see that discussion in front of that broader audience.

So you start to think, “Oh, there are some actually very interesting ways in which you can use this to go to specialist audiences or to take this message out into broader audiences.”

Paul Nixon: I mean I see plenty of corporate blogs online where you look down and there’s zero comments, zero comments, zero comments. So in terms of trying to get that interaction going and really struggling, even though the pieces are good. But like you say, it’s not necessarily being in the right place, it’s by being on neutral territory if you like as well.

Mallen Baker: Yes.

Paul Nixon: But yes, I think that will continue to be the challenge for people.

Mallen Baker: Well, it will. Particularly because companies want to control material that relates to them and in order to engage in that sort of area you have to accept a certain degree of loss of control. If you engage in one of those spaces somebody can say things to you or about you that you don’t like.

Shell discovered this many, many years ago. It was a very early version of the web but they were the first that put up a forum where all stakeholders could leave comments. And a whole bunch of people left some very intemperate comments indeed.

And Shell actually did extremely well from it. They just had a very reasonable person who was employed to answer what were extremely intemperate comments with very reasonable responses. And they actually came across extremely well.

So it's a managed risk but I think it's one that companies generally have less to fear from than they think.

Paul Nixon: But they do need to put a lot more attention into who the spokesman is going to be on that Twitter account.

Mallen Baker: They do. And they also need to just test the platforms that they are using.

So I mean there were one or two cause related marketing type uses of this platform that have gone horribly pear shaped, largely because they were not good ideas and they should really have tested them out before going.

But you know marketers are not always exposed to this kind of stakeholder thinking and what seems like a great idea in the brainstorm chamber doesn't do very well once it's released.

So American Express found this out recently. They did this 'AMEX Be Inspired' campaign where they offered to make a donation to a charity for every person who tweeted about something that had inspired them and used the hashtag 'AMEXBeInspired'.

And then a bunch of people who thought this was a dreadful abuse of social media, because it was really just a corporate mouthpiece thing, started to post vast numbers of extremely abusive contributions using that hashtag; which then of course all appear to anyone who's following it and so on. And they did so with such gusto that it really did pretty much hijack the initiative.

Entirely predictable that people would actually have reacted negatively against that kind of use because there wasn't a strong enough link between what the company does and what they were asking you to do. And people generally are very, very cynical about that.

But if you can see the link... If BT is talking about its support for Childline it actually gets a lot of support because they're a telephone company and Childline is about any child in need can have a call answered and all that. And so people immediately connect.

Paul Nixon: There's resonance, it works, and away you go.

Mallen Baker: And without that it can go horribly wrong. And that's why you need to look at this stuff very carefully before you do it.

Paul Nixon: So moving on to the sort of final stage of this, what do you think the key trends are going to be in terms of how things will evolve and where people will hopefully get better in their communications online about responsibility?

Mallen Baker: Well, you could almost toss a coin because I see conflicting trends and it's down to what wins out.

The evolution of corporate responsibility reporting or sustainability reporting to date is completely unsustainable in itself, ironically, because by and large the current state of the art doesn't connect with audiences. And sooner or later the Board will ask, "Why are we spending a quarter of a million pounds producing a report that-?"

Paul Nixon: "That no-one reads."

Mallen Baker: "No-one we care about reads."

Paul Nixon: Yes.

Mallen Baker: Being entirely brutal. I've certainly had versions of that recounted to me. On the other hand-

Paul Nixon: And do you have an answer for that in terms of say what they should do?

Mallen Baker: Yes. They only ever say that when they're producing reports without asking who their audiences are; when someone has said "How do you do it?" and someone said "This is how you do it" and that's what they did.

As opposed to "What do our audiences expect of us? How do we meet those expectations? How do we engage them? Did it work? Let's ask them. If no, what do we need to improve?" And you've got this upward cycle focused on communication.

Paul Nixon: And improvement, built in.

Mallen Baker: Absolutely. As opposed to the CR team produces a report every year because that's what we understand they are expected to do. And they don't have to ask whether the audiences are connecting to them because they get the money in the budget every year by the Board that understands that every company now has to produce one of these things.

And for me this is one of the reasons why I'm not a great fan of governments mandating that a company should produce corporate responsibility reports.

Because until you have got a state of the art that actually provides people with information that they can then act on then all you're doing is requiring something to be done that will then get in the way of company's innovating and learning how to do it better.

Because as soon as you've frozen it in legislation, well that's how it's going to be done, because that's what legislation says. And if there's no audience there for it, too bad, the crazy bureaucrats in government say that we must do this anyway. So everybody loses if you're in that sort of situation.

So for me the trend has been more and more GRI reports, more and more standardisation.

And I start to see a counter trend now which is from the leading companies, the companies who were leading the march in terms of more robust reporting, who are starting to say, "This isn't quite working and we're confident enough of the ground under our feet to start saying, "We're going to rock the boat and not do it this way anymore.'"

"We're going to find ways that actually communicate better with some of our key audiences. We're going to produce micro reports that focus on issues. We're going to create offline forums. We're going to create online forums. Because we're interested in finding the way that works."

And I think the trend is going to take us wherever that stream of innovation finds that there is the best return to the business in terms of learning that goes into the business and reputational enhancement of the business.

The bad companies won't be interested in the learning that comes in because they think they know it all already. And therefore they won't get the reputation enhancement.

But gradually you will start to see the mid-rank, those who are doing it because they kind of think that they ought to as well as they're starting to feel the peer pressure, who then look to the

leaders to see how it's now done. And they're two to five years behind where the leaders are taking them.

Paul Nixon: Yes. And pick up the ways that work best?

Mallen Baker: Yes. So you will see social media becoming a part of that. There are people out there who are just fans of this stuff who say, "You've got to be doing this stuff!" Well actually, some companies don't have to be doing this stuff. It does depend on who you are.

A medium sized engineering company may not need to do this stuff. Not yet anyway. Maybe 10 years later it does but at the moment the case is a lot weaker.

But retailers who are largely employing generation Y, who want to use an engagement tool for their employees, absolutely they should be using this stuff.

So I can see the trend being the splitting out from the robust core of data that you get third party verified if you feel that people don't trust you enough to take your word.

But nevertheless it's the good and the bad, the rough and the smooth, and the gradual separating out of that with the discussion and the dialogue with stakeholders and the constant flow. Which can't be divorced from the facts, it's always got to be backed up by this robustness, but is much more free flowing and responsive.

Paul Nixon: And story based.

Mallen Baker: And story based because stories are what people respond to on a human level.

One of the companies I'm a fan of is Marshalls, a hard landscaping, stone products, patios, there's all this kind of stuff that they do.

They did a lot of work on eliminating child labour from their Indian sandstone supply.

And there's a photograph of two children – a 10 and a 12 year old girl – in a stone quarry in India, hacking away at stone.

And I thought, "If you stick this picture up with a "95% of sandstone is unable to be traced and some of it will come from quarries that use child labour", or if you stuck it up with the quote from the marketing director that he said to me when he showed it to me, "I looked at this" he said, "and realised that these children were the same age as my own children." Which of those two creates an emotional connection in a way that is really going to make people want to know more, want to know what you're doing about it, all this kind of stuff?

And of course it's the human element, the story. Because there is no such thing as companies, they're groups of people, and nobody leads that.

Paul Nixon: And whether it's the leaders interacting with employees or employees with the customers, that's where you get the emotional impact and that's what changes perceptions.

Mallen Baker: Absolutely.

Paul Nixon: And stops people in their tracks, going "Oh my God. This is different."

Mallen Baker: Absolutely. And it is the most elusive element because it requires you to be prepared to corporately communicate on a human level. That will always be a minority sport. But I think there can be some very, very good rewards for those who will pick up the intelligence about how it's done well and give it a go.

Paul Nixon: Well, I think we've covered a lot of good ground there. Thank you very much for your time Mallen.

Mallen Baker: You're very welcome.

Paul Nixon: And maybe we'll touch base again in a year or so's time to see where things have gone next.

Mallen Baker: I'd be very happy to.

Paul Nixon: Thanks.