



TRANSITIONS ONLINE: The Crisis: **Enlightened Self-Interest**

by [S. Adam Cardais](#)

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*Businesses have to watch their bottom lines right now, but even a bit of community-mindedness could pay off down the road.*

With several Central and Eastern European economies threatening to seize up during the financial crisis, the responsibility for greasing the gears has, as in the United States and elsewhere, fallen largely on governments and on institutions such as the International Monetary Fund.

Emergency bailout packages, stimulus packages, interest rate cuts – the public sector has led the charge against the crisis here. But what's the private sector's role? The crisis has hit Central and Eastern Europe particularly hard, with unemployment in the double digits and climbing in several countries. Are businesses doing anything to help out? Should they be?

A few – *very* few – companies are stepping up. Czech electricity giant CEZ, among the largest and most profitable companies in the region, has introduced "CEZ against the crisis." Under the program, the company will forgive for three months the power bill of any customer who loses his or her job this year. The Czech travel agency Nev-Dama is discounting some holiday packages by 30 percent for unemployed clients. Those who lose their jobs after buying a package will also get the 30 percent cut.

Such evident corporate good will, though, is the exception, and what little there is seems confined to the Czech Republic. I asked corporate social responsibility experts and representatives from chambers of commerce and businesses in the Czech Republic, Poland, Ukraine, Hungary, and Russia whether they knew of other companies that had introduced such "crisis response" programs, whether targeted at clients or simply philanthropic. I got two responses: "no comment" and "no."

Jo Weaver of JWA Prague, the public relations firm she founded in the Czech Republic more than 15 years ago, said companies are "sitting still and doing nothing."

"Apart from CEZ, I haven't seen any sign of anyone doing anything to help," said Weaver, who is also chairwoman of the International Business Forum, a business networking and advocacy group in Prague.

## THE VISION THING

That businesses are watching budgets now and reluctant to launch anti-crisis campaigns is understandable. It's not necessarily good business, though.

Forget for a second about corporate social responsibility, the idea that businesses have a

duty to civic life as well as to their bottom line. (The movement is admittedly young here compared with the United States or United Kingdom but gaining ground. For instance, the East Europe Foundation in Kyiv, which promotes ethical business practices, has seen subscription to its weekly bulletin increase from the low hundreds at launch last year to around 5,000 now, according to its executive director, Victor Liakh.)

What CEZ and the travel agency are doing just makes good business sense. Critics cavil that their initiatives are marketing campaigns. But who cares? Customers are getting something, and offering clients a cushion to raise brand awareness at a time when many businesses are sitting on their hands is smart.

Indeed, the instinct now may be to guard the bottom line, to cut marketing and advertising budgets. Several studies, however, show that companies that continue spending on things like advertising, acquisitions, and research and development during recession do considerably better than the budget hawks. And a survey published this month by McKinsey & Co., a global corporate advisory firm, urged European companies to "look beyond mere survival and adapt their products and marketing" to attract increasingly thrifty consumers during the recession and better position themselves for recovery. Among its suggestions, McKinsey recommended that companies introduce "simpler, 'low frills' " products and promote price competitiveness in any way possible.

"Personally, I really do think that now is the time to be building our brands," Weaver said. "After all, the crisis will finish one day, and if we don't continue to build our brands, we will have to start from scratch."

Smart companies like CEZ realize this and are trying build good will with customers. For an example outside Central and Eastern Europe, Hyundai is allowing customers who buy or lease a car this year and then lose their job to return the vehicle and make no further payments.

Clearly, many small- and medium-size businesses here cannot afford such ambitious initiatives. But smaller companies could help out by lowering prices, something many in the Czech Republic have resisted, Weaver said. Businesses that do so could find themselves emerging from the crisis with a leg up on more thrifty competitors.

But if "the good will leads to a stronger business" argument for the private sector doing its part during the financial crisis is too woolly for some companies, here's a perhaps more compelling, pragmatic one. Joblessness is on the rise throughout the region, and according to McKinsey's April survey European consumers are getting tighter by the day: Doing business at a reduced rate is better than none at all, isn't it?

*S. Adam Cardais, a business journalist in Prague, writes TOL's Market Values column.*

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