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Larry Householder, the former speaker of the Ohio House of Representatives, speaks during the Republican National Convention (RNC) in 2016. This month, Householder appealed a 20-year prison sentence after a court found him guilty of the largest bribery scheme in the state's history.

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When the Cleveland Browns removed the scandal-tarnished name of FirstEnergy from their football stadium, it symbolized how far the Ohio utility's good reputation had fallen. The name change followed guilty verdicts returned for Ohio's former House speaker and former GOP state chair in a bribery-and-racketeering scheme fueled with almost $61 million from FirstEnergy. The company has admitted that it bribed state officials and relied on untraceable dark money to do it, in seeking a bailout for two failing nuclear plants.

FirstEnergy is the poster child of the risks and harms a company faces from failing to oversee and monitor its political spending. But corruption charges are infrequent; in today's hyperpolarized climate, more companies run into problems when their political spending winds up in perceived conflict with their public stances. Just ask the blue-chip companies recently facing controversy over money funneled to legislators who upheld an abortion ban in North Carolina.

Corporations increasingly face risk from their political spending, and that risk is heightened when they have not charted where funds will actually go. When political spending is funneled through "dark money" groups used by candidates and officeholders or through third-party groups such as trade organizations or non-profit partisan groups, corporations (and their shareholders) often don't know how their money will actually be spent. When discovered and spotlighted, such contributions can ultimately associate a company with controversial political figures, positions contrary to core company values and interests, or corruption.

There are proactive steps companies can and should take to mitigate the risk. But first, let's take a closer look at the reality of these risks in a new era of rising and stealthy corporate political spending that is encountering stepped-up public scrutiny.

At the nucleus of the FirstEnergy scandal was Generation Now, a dark money outfit commonly called a "social welfare" organization and established under section 501(c)(4) of the Internal Revenue Code. These groups can accept unlimited, undisclosed contributions. Indeed, it is a sign of their popularity that nearly every candidate aspiring to the presidency in 2024 is associated with such an organization.

Generation Now pled guilty to racketeering charges, and FirstEnergy has suffered enormous costs as well as withering reputational harm from this public corruption scandal. The Department of Justice assessed a fine of $230 million. Investors have brought a class-action lawsuit. Two former top FirstEnergy executives, who were fired, say they are federal investigation targets. Meanwhile, former Ohio Speaker Larry Householder, convicted of participating in a racketeering conspiracy, was sentenced in June to 20 years in prison.

The controversy over political spending in North Carolina emerged after Republican legislators overturned a veto by the Democratic governor of a 12-week abortion ban. Nine of the anti-abortion legislators had campaign support from a group linked to the Republican State Leadership Committee (RSLC), a partisan nonprofit. The RSLC received donations of tens of thousands of dollars last year from corporations including Comcast, Intuit, Wells Fargo, Amazon, Google, and Bank of America.

These companies became ripe targets for scrutiny because they also had made statements supporting access to abortion care. It's increasingly common for public companies like these to come under fire. Through their treasury donations and those of their trade associations, they are dominant funders of large state-focused groups called 527s (for the section of the Internal Revenue Code that governs them). The Democratic and Republican governors' associations are perhaps the best-known 527 groups.

Each political dollar a company donates poses a risk it must manage. Companies should carefully evaluate in advance where the political money trail might lead and whether it might expose them to financial, reputational, or even legal risks and employee disaffection. In the language of business, this is simply called exercising due diligence.

If companies give to third-party groups, good governance dictates that they should map the money trail to see where it ends up. Thus, it's no surprise that shareholders are asking leading companies in proxy resolutions to require reports from such third-party groups, detailing the political expenditures they make and the ultimate recipients. Companies would then post the information online.

There are skeptics of this kind of due diligence and transparency, however, including two leading proxy advisory firms, that appear to contend companies are effectively powerless to require this accounting from third-party groups. This view skirts the reality that through their dues or contributions, for example, companies wield leverage over trade associations, 527s, and dark money groups. But even if this information were truly unavailable to the companies writing the checks, both management and shareholders would want to know that as well.

The position of these proxy advisory firms is also inconsistent with sound third-party risk management practices in other areas. For example, companies are encouraged to and do apply standards to monitor and regulate corporate contributions to charitable and philanthropic organizations. Applying similarly robust standards to their political spending enables corporations to pull back the curtain, assert the necessary control over their corporate funds, and in doing so, fulfill their fiduciary responsibilities.

Yes, "elections have consequences," as former President Obama has said. So does corporate spending to influence elections–and the consequences aren't always what companies expect.

Companies today face intense scrutiny from the media, the public, shareholders, and employees. They may even face intimidation from Washington and state capitals. To manage risk and thrive in this new era, companies should stop rolling the dice with political donations and follow their own money trail before someone else does it for them.

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